France .. FFr 6.00	Mexico .. Pes. 300	Taiwan .. NT $35
Germany .. DM 2.20	Morocco .. Dh 6.00	Tunisia .. Din 0.600
Greece .. Dr 70	Netherlands .. Fl 2.50	Turkey .. L 210
Hong Kong .. HK$ 12	Norway .. Nkr 8.00	U.A.E. .. Dh 6.50
India .. Rup. 15	Philippines .. Pes. 20	U.S.A. .. $1.50

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,566 Tuesday March 5 1985 D 8523 B

Moscow's problems on arms control, Page 19

World news

Guerrilla chief dies in Lebanon explosion

A bomb killed 12 people including the guerrilla chief of the Shia Moslem Amal movement when it exploded at a religious centre in the southern Lebanese village of Maarakeh.

The guerrilla leader, Mohammed Saad was among many people buried in the rubble of the building. Maarakeh had been a centre of guerrilla activity in the area.

An estimated 800 Israeli occupation troops last Saturday launched a raid on the village. Israeli army headquarters in Tel Aviv denied responsibility for the blast. Page 4

Iraq attacks N-plant

Iraqi aircraft ettacked an unfinished Iranian nuclear plant and steel plant, killing at least 11 people. An exocet missile was used in the attack on the nuclear plant at Bushehr, in the northern Gulf region.

Polish price rises

Polish food prices rose for the first time in 13 months. The effect of higher prices for bread, tea, rice and some dairy products was partly offset by higher nld age pensions and income supplements for almost 11m people. Page 2

Danes strike

More than 4,000 people walked off their jobs across Denmark as shop stewards organised demonstrations to press demands for a 35-hour week being made in deadlocked general wage agreement negotiations. Page 3

Air crew released

Ethiopian rebels released unharmed five French air force crewmen, seized with their wheat-carrying cargo aircraft while on a famine relief mission near the northern town of Lalibela.

China-Soviet talks

A Chinese parliamentary delegation welcomed a renewed dialogue with the Soviet parliament after a break of 20 years, calling it an important step in their relations.

Ulster action call

The Northern Ireland Assembly, recalled for an emergency debate on security, passed a resolution calling for a "relentless offensive" by the Royal Ulster Constabulary and the army against the IRA and other terrorists.

Sandinistas slammed

President Reagan said Nicaragua's left-wing regime was not a government but e faction of the revolution against dictator Anastasio Samoza in 1979. In Paris pro-Sandinista protestors occupied the American Express office.

Pretoria pay cut

South African President P. W. Botha announced a 3 per cent pay cut for himself, ministers and politicians in an austerity drive. Page 4

Alfonsin reshuffle

Argentine President Raul Alfonsin reshuffled his army high command apparently to ensure military discipline in a crucial political year.

Chile earthquake

The toll from Sunday night's earthquake in central Chile rose to 124 people dead and nearly 2,000 injured. Another 8,000 people are homeless in the country's worst natural disaster for 15 years.

Oslo spy claims

Arne Treholt, the former Norwegian diplomat and junior minister, had classified documents in his briefcase when he was arrested at Oslo airport, a court was told during his trial for alleged espionage.

Indian violence

Two people were killed during political violence in India's southern state of Andhra Pradesh on the eve of local assembly elections.

Business summary

Earnings at Royal Insurance fall 88%

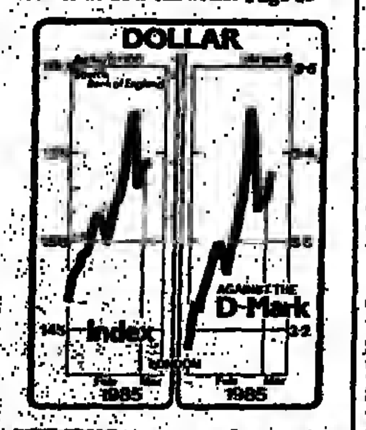
ROYAL INSURANCE, Britain's largest composite group, reported a pre-tax profit of £11.2m ($12m) in 1984 against £98.4m in 1984, an 88 per cent fall. Wnrldwide underwriting losses – especially bad in North America – rose from £209.6m to £347.4m. Page 24; Lex, Page 20

WALL STREET: The Dow Jones industrial average closed 9.83 down at 1,289.53. Section III

TOKYO: The Nikkei-Dow market average hit e new high, up 69.35 at 12,509.01. Section III

LONDON: Collapse of miners' strike had little impact. The FT Ordinary index gained 4.9 at 979.9. Gilts firmed. Section III

DOLLAR was firm in London, rising to DM 3.376 (DM 3.35), FFr 10.315 (FFr 10.245) and SwFr 2.893 (SwFr 2.8575). It eased against the strong yen, however, to Y259.95 (Y260.3). On Bank of England figures, the dollar's exchange index rose to 154.4 from 154.3. Page 39



STERLING was weaker against the dollar in London, losing 40 points to close at $1.0685. It was unchanged at DM 3.6, FFr 11.025 and SwFr 3.085 but fell to Y277.0 (Y280.0). The pound's exchange index rose 0.1 to 70.9. Page 39

GOLD rose $1.25 on the London bullion market to close at $288.50. It also improved in Zürich to $288.75. In New York the Comex April settlement was $291.90 , Page 38

WEST GERMAN unemployment fell last month to slightly less than 10.5 per cent of the workforce. However, it remains at the highest February level in the history of the Federal Republic. Page 3

FEDERAL RESERVE chairman Paul Volcker said an oil import tax was "among the least harmful" ways to raise revenues and cut the U.S. budget deficit, but it remained a last resort.

KLÖCKNER-Humboldt-Deutz, the Cologne-based diesel engine producer, expects turnover to fall this year after a 22 per cent rise to DM 4.6bn in 1984. Page 22

SOCIÉTÉ Générale de Banque, the largest Belgian commercial bank, intends to launch a one-for-five rights issue after forecasting net profits for 1984 of BFr 2.8bn ($40.74m), unchanged from 1983. Page 22

LANCIA, the Fiat subsidiary, is expected to make a profit this year and sell more than 200,000 cars. Page 22

COMPAGNIE Financiere de Suez, the French state-owned holding company, may take a stake in Roussel-Uclaf, the French pharmaceuticals group which is 54.5 per cent owned by Hoechst of West Germany. Page 22

UPI, the world's largest newsagency, is seeking fresh outside capital for the company and at the same time has announced the termination of the president and financial consultant's contracts. Page 21

PHARMACIA, the Swedish pharmaceuticals and biotechnology group, increased 1984 profits by 24 per cent to SKr 637m ($66.8m) in line with the company's forecast. Page 22

TAIWAN has assumed control of Cathay Investment and Trust Company, one of a number of groups affected by financial irregularities and defaults by affiliates. Page 23

BROTHER INDUSTRIES of Japan is to set up a European typewriter plant in the UK. Page 8

Moscow warns Bonn on 'star wars' involvement

BY PATRICK COCKBURN IN MOSCOW

HERR Hans-Dietrich Genscher, the West German Foreign Minister, was given e pointed Soviet warning in Moscow yesterday that German participation in U.S. research into space weapons would torpedo "the whole process of limitation and reduction of nuclear weapons."

This latest reminder of the Soviet Union's concern to bring the U.S. "star wars" research programme to e halt was delivered by Mr Andrei Gromyko, the Soviet Foreign Minister, during three hours of apparently inconclusive talks with Herr Genscher.

Although officials with the German minister said the speedily arranged visit could open a new chapter in East-West relations, e report of the talks carried by Tass, the official Soviet newsagency, suggested Soviet irritation at the absence of any substantive proposals from the German side.

Mr Genscher said afterwards he had underlined Bonn's concern for a successful outcome to the disarmament talks between the U.S. and the Soviet Union.

A prime Soviet target in the negotiations is to secure the abandonment of U.S. research into space weapons. Mr Gromyko's reported warning underlines Moscow's concern that some Nato members, including West Germany and Britain, are seeking a share of contracts which would involve them in the research effort.

West German participation, said Mr Gromyko, would "actually make it an accomplice in the violation of the treaty on anti-ballistic missile defence, thus torpedoing the whole process of limitation and reduction of nuclear weapons."

The veteran Soviet minister added that Bonn could help the talks in Geneva by ending the deployment of U.S. medium range missiles on West German territory.

Mr Genscher's contribution to the talks was described by Tass as being "in general terms." The Soviet newsagency said he tried to describe the U.S. decision to deploy weapons in space "in a distorted light."

At e press conference the West German Foreign Minister did not explain why his trip to Moscow was hurriedly arranged last week.

In view of the apparent lack of substance in yesterday's talks Western diplomats suggested a motive for Herr Genscher's sudden visit was to strengthen his Free Democrat Party (FDP) in next Sunday's elections in West Berlin and the Saarland.

Herr Genscher said his trip to Moscow would mark an improvement in relations between the Soviet Union and Bonn which have been cool since the defeat of the Social Democrat Party in 1983.

Last week the Soviet Foreign Ministry described West Germany as a stalking horse for President Ronald Reagan in an attempt to win acceptance of the "star wars" programme in Western Europe.

Moscow has also claimed that West Germany does not accept its post-war boundaries. In addition the Soviet celebration this year of its 40th anniversary of its victory in 1945 has fuelled charges of revanchism against Bonn.

Herr Genscher said, however, that he had stressed to Mr Gromyko West Germany's commitment to present political boundaries and its desire for better relations.

Bonn back in game, Page 3; Reagan presses MX case, Page 5; Feature, Page 19

Icahn drops Phillips bid after $25m agreement with board

BY WILLIAM HALL IN NEW YORK

MR CARL ICAHN, the Wall Street financier, yesterday dropped his hostile bid for Phillips Petroleum in the wake of the embattled U.S. oil company's new offer to buy back 50 per cent of its shares for $4.5bn in securities.

Phillips said yesterday that it had signed an agreement settling the disputes between itself and the investor group led by Mr Icahn.

Mr Icahn, who will get up to $25m of "expenses" and is showing an estimated paper profit of more than $35m on the 7.5m Phillips shares he bought less than two months ago, said the defeat of Phillips's recapitalisation plan, which would have insulated the oil company from hostile takeover bids, marked "an important milestone for shareholder democracy."

Phillips admitted at the weekend that its recapitalisation measures had failed to win shareholder approval. Late on Sunday, it offered a package of debt securities, valued at $62 a share, for 72.5m shares or 50 per cent of its outstanding capital. It also announced a 25 per cent rise in dividend to $3 a share and an increase in the interest rates paid on its debt securities.

Phillips and Mr Icahn have agreed to drop all litigation, and Mr Icahn is terminating his $60-a-share tender offer for 70m Phillips shares and has agreed not to attempt to take over Phillips for eight years. In addition, Drexel Burnham, his investment bank, has agreed not to finance any attempted takeover of the company for three years.

Ever since Phillips announced its recapitalisation plan in late December, in an effort to defend itself from a hostile $60-a-share tender offer from Mr T. Boone Pickens, the Texas oil man, Phillips has come under heavy criticism from institutional shareholders who argued that the plan would make the company invulnerable to hostile takeovers and impair shareholders' rights.

The scale of the institutional revolt against Phillips' recapitalisation plan was underlined yesterday morning when the company released preliminary figures showing that holders of 49.8m of Phillips 154.5m shares voted against the plan. Although holders of 68.2m shares voted for the plan, that was not sufficient to give majority approval. A total of £120m shares or 78 per cent nutstanding, were voted on the plan.

It became clear last week that Phillips had failed to win support for its plan and that Wall Street was convinced that the company would either fall prey to Mr Icahn's hostile tender offer, a prelude to what many people believe would be the liquidation of the company, or "sweeten" the terms of its offer.

In the event, it decided on the latter course. In a desperate bid to stay independent, the company announced its improved package.

Mr William Douce, the Phillips chairman who is scheduled to retire shortly, said that the new package involved the exchange of a greater number of shares for securities bearing higher interest rates, permitted shareholders to retain an equity interest, and would keep the company together as a vital, competitive entity.

Phillips shares rose $¾ to $50¼ in early trading yesterday.

Textron to sell Bell Helicopter to reduce debt

BY PAUL TAYLOR IN NEW YORK

TEXTRON, the U.S. conglomerate, yesterday put its Bell Helicopter division up for sale in a surprise move designed to reduce the company's debt burden.

Bell Helicopter, acquired by Textron in 1960 as part of the Rhode Island group's expansion phase, is one of the world's leading military and commercial helicopter manufacturers and has been a majnr generator nf revenue and profits for Textron.

Although sales and earnings have recently been under pressure because of sluggish worldwide demand for helicopters, the unit, which employs 7,200, accounted for $672m out of Textron's total $3.22bn sales last year.

The move to sell Bell follows Textron's recently completed $1.38bn acquisition of the Avco group and is the second large divestiture announced by the company within the past few days.

Textron said yesterday that it was "premature" to discuss its asking price for Bell.

Last week Textron said that it was selling its Spencer Kellogg special chemicals business, which was acquired in 1961 and had sales last year of more than $100m.

Explaining the latest move, Mr Beverly Dolan, who took over as Textron's chief executive on January 1, said yesterday, "Textron has announced its intention to raise approximately $1bn from divestitures to reduce debt incurred in the acquisition of Avco." He added that they had decided on the Bell sale because it would generate "significant cash for debt reduction."

Mr Dolan said: "Bell Helicopter has long been an integral part of Textron, and this has been a difficult decision.

"However, our board of directors and management felt that Bell Helicopter's full potential can be more fully realised by a purchaser whose strategic focus and resources will enable Bell to continue its outstanding record of innovation and leadership."

Textron said it had retained Morgan Stanley, the Wall Street investment bank, as financial adviser to assist in the sale.

Even after the divestititures Textron will remain a multi-industry conglomerate with three major business segments: Aerospace; Financial services and manufactured products including machine tools; and special consumer products.

The Avco purchase almost doubled the size of Textron, complementing some business activities and adding an extensive financial services segment, which includes insurance, consumer lending and other financial services.

Bell Helicopter expanded rapidly throughout the 1970s benefiting from huge military contracts during the Vietnam war and from orders from the Shah of Iran for hundreds of helicopters. The company's business was buoyed by the transport needs of the offshore drilling industry, but a sharp cut in offshore nil drilling, coupled with declining military nrders from overseas has cut into revenues and profits.

About 30 per cent of Textron's operating earnings have come from Bell Helicopter, which is part of Textron's aerospace and electronics division.

Last year Bell Helicopter reported operating earnings of $30.3m or 12 per cent of Textron's total $251m in operating earnings compared to

Continued on Page 20

Anzus pact summit called off after NZ ships ban

By Michael Thompson-Noel in Sydney and Robert Mauthner in London

THE ANZUS defence pact between the U.S., Australia and New Zealand was further downgraded yesterday when Australia announced that the organisation's council meeting, due to take place in Canberra in July, had been postponed indefinitely.

Mr Bob Hawke, the Australian Prime Minister, said that, following New Zealand's ban nn the visit of nuclear ships to its ports, much of the Anzus treaty was no longer "operative."

A U.S. State Department official in Washington said that it would not be "productive" to hold a ministerial meeting of the pact in present circumstances.

The U.S. was still reviewing operational aspects of its security relations with New Zealand, the official said. However, the framework of the Anzus alliance was still in place and U.S. Defence co-operation with Australia would be "unhindered" by Washington's dispute with New Zealand.

In London, where he had been having talks with Mrs Margaret Thatcher, the British Prime Minister, Mr David Lange, the New Zealand Premier, said he regretted the postponememt of the next Anzus Council. "Our discussions with the U.S. last week confirmed that they, like us, saw no need for a decision to be taken yet," Mr Lange said.

"The important point about a long-standing alliance is that the members must be able to talk about their differences. Postponing the July meeting does nothing to help this."

The alliance would, nevertheless, continue because all three partners were determined that it must, Mr Lange said. No one held this view more firmly than New Zealand.

Mr Hawke also confirmed in an earlier statement on the postponement that the Anzus treaty remained in being and that this matter was not in dispute between any of the three partners.

The Australian Government's main responsibility was to protect its national security interests, and this would be done through bilateral channels with both the U.S. and New Zealand as long as the present situation lasted.

The postponement was announced as Australian anti-nuclear groups mounted one of their largest demonstrations to protest against a visit by two U.S. warships, presumed to be capable of carrying nuclear weapons.

New Zealand dollar declines, Page 4

UK mines face further unrest

BY JOHN LLOYD AND IAN HARGREAVES IN LONDON AND MARK MEREDITH IN EDINBURGH

THE ENDING of the UK miners' strike today will be marked by division and bitterness in three of the most militant areas, a tough line from the National Coal Board (NCB) and a strong warning from the pit supervisors that it would exercise e veto over pit closures.

It has become clear that, as Mr Arthur Scargill, president of the National Union of Mineworkers (NUM) warned, the dispute will continue even though the strike was called off by a national delegate conference of the union on Sunday. The industry faces a further period of considerable upheaval.

The conference voted for an organised return to work today, almost exactly one year after the strike began. But two militant areas – Scotland and Kent in south east England – voted yesterday to continue the strikes in their areas until an amnesty was granted to all of their members dismissed for misconduct.

Shortly after the Scottish delegates' conference in Edinburgh voted by the narrowest of margins, 7 to 6, to continue the strike, Mr Albert Wheeler, the Scottish area NCB director, again refused to reinstate any of the 180 men sacked in the coalfield.

The delegates' decision, apparently taken against the advice of Mr Mick McGahey, the area NUM president and national vice-president, is designed to put pressure on Mr Wheeler. A further delegates' conference is called for Friday.

Mr McGahey said that the area director "is declaring war on the miners by declaring no amnesty for those who have been sacked for carrying out their legitimate trade union practices." He said there was "tremendous bitterness and anger" among Scottish miners.

Some 50 per cent of the 12,500 Scottish miners have already returned to work, however, and the drift back is expected to continue.

In Kent, half of the area's 2,200 miners crowded into a small theatre to vote overwhelmingly to continue the strike until the dismissed miners – 42 in the area – had been reinstated. Mr Jack Collins, the area secretary, said the delegate conference which endorsed the back-to-work move on Sunday had taken e "terrible decision."

Yorkshire, Lancashire and Durham areas voted yesterday to comply with the conference decision. But some Kent and Scottish miners were last night said to be heading for the South Wales and Yorkshire coalfields to assist miners who intend to picket pits in defiance.

Last night, at least one Yorkshire pit voted to stay out in support of its 12 members who have been sacked. There were indications that others in the heart of the militant coalfield would follow.

Nationally, the NCB has dismissed 716 men. In South Wales, Mr Phillip Weekes, the area director, will today meet the miners' leaders to discuss amnesty for the area's sacked workers. Mr Weekes is likely to reinstate men dismissed for stealing coal – but he will not take

Continued on Page 20

Unions heed lessons, Page 8; Editorial Comment, Page 18

Bid for Harrods group

By John Moore in London

HOUSE of Fraser, Britain's largest department store group and owner of Harrods of Knightsbridge, has recommended its shareholders accept a £615m ($664m) takeover offer from the Al-Fayed family in Egypt.

On the London Stock Exchange House of Fraser's shares soared 57p to 403p in yesterday's trading as the 400p per share cash offer was announced. At one stage shares rose to 415p amid speculation that other rival bids might emerge or that Lonrho, House of Fraser's long-time adversary, might be allowed by the Monopolies and Mergers Commission to make a fresh bid. The commission has just completed a report into Lonrho's relationship with Fraser.

The offer has been mounted by Alfayed Investment and Trust (UK), an investment vehicle of the three Al-Fayed brothers, Mohamed, Ali and Salah.

The Al-Fayeds acquired e 29.9 per cent stake in Fraser from Lonrho in November, paying £138.3m.

Professor Roland Smith, chairman of House of Fraser, said the Al-Fayed family had said at the time they bought the stake that they wanted to buy the best of the shares. "But we suggested that we ought to get to know each other better before we could make a recommended offer."

Last week the Al-Fayed family became concerned about the way the share price in House of Fraser was rising steadily as news of the

Continued on Page 20

Feature, Page 18

CONTENTS

EUROPEAN NEWS

Union takes harsh line on Polish food prices

By Christopher Bobinski in Warsaw

THE FIRST of this year's food price rises was introduced yesterday in Poland to the eccompaniment of rumbles of discontent but little else in the way of protest.

Officials at the new metal-workers' union, which claims e membership of 367,000 or 40 per cent of the workforce in more than 500 factories, said they had received messages from local organisations protesting about the rises.

Leaders of the new unions set up to replace Solidarity are expected to meet General Wojciech Jaruzelski, the Polish leader to discuss the prices issue.

The nnions, which say they have some 5m members have criticised the prices strategy, as has Solidarity but, by and large, the Government is in the process of introducing much of what it urgently planned.

The metalworkers epear to be the most militant of the new unions, and their statement opposing the new prices has been barred by government censors from eppearing in the officiel Press.

Drawn up in the middle of last month, their statement called for "legal protests by our constituent organisations against the planned rises, then the federation will support them, taking the whole weight of the struggle on its own shoulders."

Union officials stress thet they are not contemplating strike action but thet they have already published "draft instructions in the event of collective conflicts" and are considering mass meetings, demonstrations and other forms of protest, should the need arise to make their point.

The statement says that 95 per cent of members of the union are ageinst the rises, as "they did not believe the increases would resolve the country's problems." Rising prices, it says in an implicit attack on the Government, "are the result of inadequate political and economic policies, a lack of determination and deviation from the principles of Socialist economics."

Paul Betts reports from Grenoble on the intense heat being generated by forthcoming cantonal polls

Parties turn Isère elections into a national test

It is not just tha balmier weather which is melting the snow on the Alps towering over the city of Grenoble. As the deadline for the French cantonal or district elections approaches—the first ballot is on Sunday and the second the week after—the local campaign in the surrounding department of Isère has assumed the heat of a full-blown national poll.

In the small rural community of Montalieu, two Right-wing senators, the mayor of Grenoble, a rising Right-wing political star, and other personalities were addressing a town hall packed with bemused locals *while across the square the old men preferred to continue their* card game in the Hotel du Commerce.

Nearby, M Louis Mermaz, the Socialist President of the National Assembly in Paris, who is also the head of the district council of Isère was offering e free buffet for his supporters. The week before, M Raymond Barre, the former prime Minister, and M Jacques Toubon, the new secretary general of the neo-Gaullist RPR opposition party, were also in the area.

As many es 14 Government ministers, M Laurent Fabius, the Prime Minister, and President Mitterrand himself have all *campaigned* in *the department* which stretches between the Rhône and the Alips.

Far more than in any previous cantonal elections, the main French political parties of the Right and Left have turned the polls into a national test. They are regarded as a pre-run of next year's general elections and their results will represent a vote of confidence or otherwise in the Government. The Right hopes to confirm its strong recovery in the municipal elections of 1983, followed by the successes in the Senate elections and last year's European polls. The Socialists are boping to see tangible signs of a pick-up of their falling popularity while the Communists, now out of the governing coalition, are desperately trying to halt what is becoming an alarming decline.

The stakes are particularly high in Isère. The battle involves the presidency of the local district council, held hy M Mermaz for the past nine years. As president of the Netional Assembly, M Mermaz, in terms of his office, is the *country's third most senior* public figure after President Mitterrand end the Prime Minister. Moreover, be bas always been a close friend and one of the most faithful supporters of the President.

Although M Mermaz's own seat on the district council is not up for renewal this year, be will lose the presidency of the council if the Left loses the majority. "The socialists clearly feel they cannot afford to see Mermaz lose the presidency of the local council. His defeat would be regarded as e personal defeat for M Mitterrand," explained a producer at a local radio station.

"The impressive procession *of Socialist Ministers* who have come to lend their support to M Mermaz shows bow capital the Government regards this election. In the past it was always the Right which was accused of bringing out ministers from Paris to support local candidates. The Socialists heve done pretty well this time in Isère," he added.

The Socialists are also suffering from what has become known as the "Grenoble complex." Grenoble and the surrounding district bave traditionally been a bastion of the Left. However, Grenoble caused the biggest upset of the 1983 municipal elections when M Hubert Dubedout, the Socialist mayor for 18 years who was regarded as one of France's leeding urban reformers, was defeated in the first round by M Alain Carignon, the young RPR candidate.

The swing to the Right was subsequently confirmed in the Senate elections and the European polls. With the prospect of another electoral disaster in the cantonal polls, M Mermaz started campaigning ferociously es early as last July. "I'm going to beve to fight as if I were trying to conquer the local council," be said at the time.

No effort or expense bave been spared for M Mermaz. M Claude Marti, the image maker of President Mitterrand and M Michel Rocard, the Agriculture Minister who is still regarded as the most popular Socialist in France, was called in to *spruce up the look of M* Mermaz. The President of the Netionel Assembly has never been a charismatic figure. With his glasses and sober clothes, he looks exactly what he was before rising up the political ladder — a history teacher.

M Mitterrand and M Fabius . . . two of 14 government figures who have campaigned in the department

M Mermaz has orchestrated an American-type campaign for these local elections with television spots, posters, and meetings all over the district. With the slogan "L'Isère- en tête" (Isère in the lead), M Mermaz has sought to make capital from bis personal relationship with President Mitterrand and the advantage of his influence in Paris for the area. When asked why so man Ministers have *come to Isère in recent weeks,* be replies be cannot help it if all his friends tend to be influential Socialists.

M Mermaz has certainly been dallvering the goods as the election has been nearing. He recently inaugurated the new Paris-Grenoble high speed train link. Grenoble was recently chosen, after a major battle with Strasbourg, as the site of the $100m European X-ray synchrotron research centre. After years of delay, the green light has been finally given for the construction of a motorway between Valence end Grenoble.

M Mermaz will also benefit from the recent decision to add seven new cantons to the department. This has led to howls of protests from the Right, led by the local Dauphiné Libéré newspaper, owned by M Robert *Hersant*, the Right-wing Press baron, since 1983. The newspaper has accused the Socialists of trying "to fix" the elections to eave M Mermaz's seat

In contrast to the Socialists, the Right has preferred to launch a grass-roots campaign. In the 1983 municipal elections, the Right had organised a high profile media campaign like the Socialists today. This time, M Carignon says "we prefer to spend on petrol rather than on publicity."

M Carignon and other Right-wing leaders have been knocking on as many doors as possible to win votes and maintain the momentum which followed the shock defeat of the Left in the 1983 municipal elections. But the problem for M Carignon and the RPR Party is that the centrist UDF is strong in the rural areas. Although the RPR and *UDF* have linked forces in the campaign, the popularity of M Raymond Barre in this part of the world bes added to the prohlems of the Right.

The former Prime Minister has distanced himself on many key national issues from M Jacques Chirac, the head of the RPR, and former president Valery Giscard d'Estaing, the two other Right-wing candidates with M Barre for the 1988 presidential alections. The position of M Barre, and his popularity, have proved embarrassing for both the RPR and the UDF. Indeed, the success in which the traditional Right wing *opposition parties* can put together a united front will probably be e determining factor in the general elections *In Isère* the *two parties* have fudged the issue for the current cantonal elections. Many RPR candidates sound like close supporters of M Barre when they speak in the rural communities. The purpose of these elections, after all, is to beat *M Mermaz* and "démermazisé" the district, as M Carignon puts it.

The Netional Front is not expected to heve a major impact in Isère in the same way as it is expected to heve ln other parts of the country. As for the Communists, the elections are likely to confirm their decline.

But if the Right seemed set to topple M Mermaz six months ago, the Socialists have mounted an impressive comeback. "I would not like to bet on the result any more," said a local political journalist, "especially after the recent recovery in the opinion polls of President Mitterrand and M Febius." Indeed, M Fabius,

Craxi puts views on Star Wars to Reagan

By James Buxton in Rome

SIG BETTINO CRAXI, the Italian Prime Minister, arrived in New York yesterday, at the start of a visit during which he will be conveying directly to the U.S. Administration the Italian *Government's* attitude to President Ronald Reagan's Star Wars programme.

Like Mrs Margaret *Thatcher,* the British Prime Minister, *Sig Craxi* is not opposed to research on the Strategic Defence Initiative, *as it is officially known.* But he is anxions that the programme should not jeopardise the arms negotiations between *the U.S.* and the Soviet Union which begin in Geneva later this month.

There have been conflicting *signals from Palazzo* Chigi, the Prime Minister's office, as to whether or not Italy believes that the Star Wars *programme should* be negotiable with Moscow. In an interview with the New York Times, Sig Craxi said it should be so, but this statement was later qualified by his staff. The U.S. Government, for its part, has shown little willingness to make Star Wars negotiable.

Last week the Italian Government came under *strong pressure* from Mr Andrei Gromyko, the Soviet Foreign Minister, to declare its opposition to Star Wars.

During his U.S. visit, Sig Craxi will naturally be voicing Italy's alarm about the strength of the dollar, which it believes will make attempts to stop inflation rising again this year, even more difficult.

The Prime Minister is due to meet President Reagan at the White House today. On Wednesday, be will be following in Mrs Thatcher's footsteps by addressing both houses of Congress, the first time an Italian Premier has ever done so. His visit to the U.S. also includes meetings with prominent U.S. and Italo-American people in New York.

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Pay-TV channel asks Government for financial aid to meet losses

BY DAVID MARSH IN PARIS

CANAL PLUS, the commercial French pay-TV channel launched at the end of last *year,* has asked the Government to contribute several hundred million francs out of an anticipated financing need of FFr 500m (£45m) to plug heavy losses this year.

The venture, which is 42 per centowned hy Havas, the state-controlled media and advertising conglomerate, hlames a recent sharp reduction in subscriptions largely on the announcement by President Francois Mitterrand in January paving the way for competing private television networks from next year.

In e sign of the disarray in the French television world caused by M Mitterrand's announcement, M Andre Rousselet, the chairman of Canal Plus and Havas, made the request for extra state funds in a letter to M Pierre Beregovoy, the Finance Minister.

Extracts from the letter, which also asks for easier conditions on advertising and programming rules to bring the channel into financial equilibrium, were published yesterday by the weekly magazine Le Point.

M Rousselet, who is a long-time friend of M Mitterrand, says that uncertainty about introduction of private TV is likely to increase losses by FFr 350m for 1985 and 1986. This is on top of an anticipated operating deficit for the start-up period of 1984-85 already estimeted at FFr 445m.

Other shareholders in Canal Plus, which include nationalised banks and insurance companies as well as private sector companies, will not put np extra cash unless the Government makes an important contribution, be adds.

M Rousselet claims that TV viewers' anticipation of widespread free private television next year has been the main reason for subscriptions falling from 3,000 a day to 3,000 a week. Subscriptions total 265,000, a figure which Canal Plus says it needs to boost to 670,000 a year by the end of 1985 to break even.

In order to improve its finances, Canal Plus has already negotieted with the cinema industry more favourable terms for showing films, and aims to boost revenues by turning to direct advertising spots to back up fees for programme sponsoring by big companies.

The financial crisis at Canal Plus will clearly place eddi-tional question marks over the economic feasibility of setting up private TV networks along the lines promised by M Mitterrand. The prospect of private TV has also greatly complicated the negotiations between France and Luxembourg over the conditions for starting direct broadcasting by satellite from the TDF-1 spacecraft next year.

Small reduction in number of German jobless

BY RUPERT CORNWELL IN BONN

UNEMPLOYMENT in West Germany showed a slight fall last month to the relief of the Bonn Government. But the number of jobless, equal to 10.5 per cent of the total workforce, remains the highest figure for a February in the history of the Federal Republic.

According to the Federal Statistics Office in Nuremberg, 2.61m people were without jobs last month, over 8,000 fewer than in January. The tiny reduction has been achieved despite a continuation of the very cold weather, affecting in particular the building industry throughout much of February.

The slightly improved trend was also evident in the figures for notified vacancies, up by 13,600 to 101,000 and in a drop of 33,500 in the number of those on short time down to 432,000.

However, although the peak of the seasonal winter surge in unemployment now seems past, observers are still unconvinced that the centre-right coalition's forecast of a 100,000 reduction in average unemployment throughout 1985 can be achieved.

This is based on the assumptions that the economy will grow by between 2.5 and 3 per cent this year, and that little further scope exists for productivity increases alone to accommodate the expansion.

But it is still not clear whether the confidently predicted rise in investment will occur – nor whether German exports, currently the linchpin of growth, can maintain their momentum if the dollar should fall steeply against the D-Mark. Most forecasters estimate that on present trends, the 1985 trade surplus could rise to DM 60bn ($18.2bn) or DM 65bn, from the 1984 level, itself a record, of DM 54bn.

Sweden criticises UK for acid rain pollution

REYKJAVIK – Sweden's Prime Minister Olof Palme said yesterday that British industry was the cause of much of the pollution affecting the Nordic countries. He urged Scandinavia to increase pressure on Britain to act against "acid rain."

In a speech prepared for the 33rd annual session of the five-member Nordic Council, Mr Palme deplored Britain's refusal to join 20 European countries committed to cutting sulphur emissions by 30 per cent by 1993.

"The evidence that pollution is destroying our forests and land, our seas, lakes and rivers is overwhelming," Mr Palme said. He stopped short of repeating earlier charges that Britain was waging environmental war on its neighbours.

Last December, Sweden, Norway, Denmark, Iceland and Finland blamed Britain for lack of co-operation in international moves to reduce pollution.

In reply, Mrs Margaret Thatcher, Britain's Prime Minister, argued that Britain had cut emissions of sulphur dioxide by 40 per cent since 1970 and by more than 20 per cent since 1980.

But Swedish officials yesterday dismissed Mrs Thatcher's argument as spurious. Mr Palme said: "The British Government's negative response is completely unsatisfactory."

Britain has refused to join the "30 per cent Club" in Europe despite a parliamentary report urging it to do so. It says it would be prohibitively expensive to cut atmospheric pollution by this amount within eight years.

General elections are due this year in both Norway and Sweden and "acid rain" – blamed for the death of a growing number of lakes and forests in Scandinavia – has become a major campaign issue. All parties are committed to fighting pollution.

The Swedish Government last month proposed to make it compulsory to fit catalytic converters on new cars after 1989 and said all petrol pumps would be selling lead-free petrol by 1987 in a further move to reduce pollution.

Mr Palme yesterday told the council – a consultative body which acts as a kind of Nordic parliament – that the overwhelming majority of people in Europe supported moves to cut pollution and it was time to put renewed pressure on Britain over the issue. Reuter

Consumer prices up 0.6% in EEC

BRUSSELS – Consumer prices in the EEC rose 0.6 per cent in January from December, according to the Community's statistical agency, Eurostat.

That gives a year-to-year inflation rate of 5.5 per cent, the agency said. The year-to-year rate is unchanged from December and higher than the inflation rates for the Community's main trading partners. The U.S. inflation rate on an annual basis was 3.6 per cent in January, while Japan had an inflation rate of 3.3 per cent, Eurostat said.

The EEC consumer price index, which uses a basis period of 1980 = 100, was at 144.7 in January; up from 143.8 in December and up from 137.1 in January 1984.

Greece and Italy had steep price increases of 2.3 per cent and 1 per cent respectively during the month. Only the Netherlands reported a price decline of 0.2 per cent in January, partly because of winter sales, Eurostat said.

Prices rose 0.6 per cent in West Germany and Belgium, 0.5 per cent in France and Denmark, 0.4 per cent in the UK and 0.3 per cent in Luxembourg.

Figures are not available for Ireland because they are reported on a quarterly basis.
AP-DJ

Turkey seeks clarification

TURKEY will send Bulgaria another diplomatic note seeking more information on the Communist state's alleged harassment of its ethnic Turkish minority, foreign ministry officials said yesterday, reports Reuter from Ankara.

The Turkish Government said it has evidence that ethnic Turks are being forced to drop their Moslem religion and take Bulgarian names. But it has not confirmed news reports, vigorously denied by Bulgaria, that up to 500 have been killed resisting the changes.

The new note follows an earlier exchange between the two countries. Turkey's Prime Minister Turgut Ozal said the first note from Ankara had urged a joint agreement to allow members of the minority to emigrate.

GENSCHER ON LIGHTNING EAST BLOC TOUR

Bonn back in game after wait on sidelines

BY RUPERT CORNWELL IN BONN

THE EXACT motives for the current lightning visit of Herr Hans-Dietrich Genscher to Moscow, Warsaw and Sofia may be as complex as the whole intricate tapestry of his country's relations with the Eastern bloc. But the trip has unquestionably proved one thing: that not ell diplomatic surprises need be nasty.

Early last November 21, Bonn awoke aghast to the news that a studiously planned and much argued over journey by Herr Genscher to Poland had been called off at a few hours notice, with some would-be participants already at the airport.

That fiasco—the consequence in roughly equal proportions of internal tension in Poland and West German insensitivity to history—marked the nadir of e wretched autumn for West German Ostpolitik. Herr Erich Honecker, the East German leader, had in September finally buckled under massive Soviet pressure and called off what would have been a historic visit to West Germany

Shortly afterwards and for part, let it be known at just ten days notice, that he would similar reasons, Mr Todor Zhivkov, his Bulgarian counterafter ell not be coming to Bonn.

Herr Genscher (left) and Mr Andrei Gromyko prior to talks

All that remained was a less than productive visit from Mr Nicolae Ceaucescu of Romanla —whose idosyncratic behaviour is bardly the most reliable barometer of the East-West temperature—and an unrelenting propagande harrage from Moscow, Warsaw and even East Berlln directed at the elleged rehirth of militarism end "revanchism" in West Germany: in other words that Bonn was seeking to regain territories of the old Reich lost in the Second World War.

Mr Mikhall Gorbachev, a senior Soviet politburo memher, spent an ostentatious week in Britain, Mr Andrei Gromyko, the Foreign Minister, visited southern Europe in his crusade against the U.S. Star Wars Strategic Defence Initiative (SDI). West Germany, until recently so important a condnit in Moscow's dealings with the West, appeared ignored, deliberately frozen out on the sidelines as the superpowers settle down to difficult arms control negotiations next week in Geneva.

But now, abruptly, the worse phase of the "punishment" seems over. Certainly, the latest travels of the ubiquitous Herr Genscher cannot make up for the disappointments of last autumn. Cynically, it could be claimed that not for the first optimistic foreign minister is time the resilient, stuhbornly confusing motion with achievement. However, to their relief, the West Germans have again at least one foot back in the game. But why?

One reason, undoutedly, was the unqualified pledge last week by Chancellor Helmut Kohl that Bonn had no territorial claims against any of its Eastern neighbours, and that, over the German question, it contemplated no "rebelllon against history." Another may wall be Soviet desire to fan the widespread misgivings here (not confined to the Left) over the wisdom of Star Wars.

Western diplomats have long accepted that, in its campeign against a space-based U.S. nuclear defence system, Moscow would seek to drive wedges between Washington and its main allies. West Germany, one part of a divided nation, and the uneasy and largest recipient of new cruise and Pershing 2 missiles was and is the most obvious and tempting target for such efforts.

Politicians here have already noted with alarm the insistence by Moscow that only a package deal in Geneva will do: that is that without U.S. concessions on Star Wars. Moscow will give no ground on the issue—closer in every sense to German hearts—of reducing the intermediate weapons balance in Europe. Such considerations will not have heen permitted to escape Herr Genscher in Moscow.

He, in turn, can be relied upon to have emphasised that such tactics will not work. But Herr Genscher will have made other points of his own as well: that the dreaded SDT has not yet even entered the research phase, and that angry rhetoric hetween the two superpowers should not be allowed to jeopardise the special interest of Europe, East as well as West, that real advances emerge from the forthcoming bargaining in Geneva.

MX missile, Page 5

France eases forward currency buying

By David Marsh in Paris

THE FRENCH government has taken another step to boost the commercial use of the European currency unit hy allowing the foreign exchange markets for imports invoiced in European Currency Units.

The measure is a fresh modest relaxation of stringent controls at a time when the franc has been holding up firmly against European currencies.

Forward purchases by companies of currencies needed to cover import needs have heen forhidden since 1981. The han will remain in force for all currencies except the Ecu, but the Finance Ministry has been treating more flexibly regulations over forward purchases, allowing such transactions to be carried ont for instance by large nationalised groups on a controlled basis.

Warsaw Pact at odds over how long to extend security treaty

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

A SENIOB Hungarian diplomat has hinted publicly that, though the seven members of the Warsaw Pect heve agreed in principle that the Soviet hloc security treaty should he renewed this year "for a further period," there is some dispute among them abont the precise terms.

The Warsaw Treaty, signed in 1955 and renewed in 1975 for another 10 years, formally expires on May 14. A planned summit meeting in Sofia, ostensibly to discuss or confirm renewal of the Warsaw Pact, was ebruptly cancelled at the last moment in January, apparently becanse President Konstantin Chernenko wes too sick to attend.

In a Hungarian Press interview published last weekend, Mr Istvan Roska, the Deputy Foreign Minister, said that "direct preparation has already been started" for the treaty's extension. Bnt this "did not preclude debates" inside the alliance, Mr Roska said, warning thet final agreement could be reached "only hy taking into account mutual interests."

The chief point of dispnte has apparently been over the length of the treaty's renewal, with maverick Romania wanting a five-year extension and the Soviet Union, presumahly with its more loyal East European allies, seeking longer renewal of perhaps 10-15 years.

Extension of the treaty is likely to be accompanied with another offer to dissolve the Warsaw Pact if Nato does likewise. But this is unlikely to cause ructions among the Eastern allies, since this offer has been made several times over the years, most recently in Jannary 1983, and the Soviet Union could still retain security control over Eastern Europe through hilateral treaties.

The Warsaw Pact has undergone several changes in its 30-year history, particularly after the 1968 invasion of Czechoslovakia when the East Europeans were given a little more institutionalised say in at least conventional military policy.

Both East Germany and Czechoslovakia have been perturbed recently at the extra expense and anxiety of playing "host" to more Soviet missiles on their soil as a counter to Nato deployments of new U.S. missiles. But it seems unlikely that Moscow will want to "revamp" the Pact to share its decision-making monopoly with allies.

Protests back pay claim in Denmark

By Hiliary Barnes in Copenhagen

MORE THAN 4,000 workers demonstrated outside the offices of Denmark's Employers' associetion yesterday as part of an unofficial "day of ection" in support of a 35-hour working week and more pay.

Strikes disrupted bus services, the shipyards, nursery schools and other public services.

A stoppage by 250,000 industrial workers bad been scheduled to start yesterday but was postponed last week for 14 days hy the official mediator in the negotiations between the LO union confederation and the employers' association for a new two-year collective wage agreement.

The leaders of yesterday's demonstrations and strikes, which did not have official union backing, said they wanted to underline union demands

Nora Boustany reports from Southern Lebanon

Bomb blast kills eleven at Moslem religious centre

VIOLENCE and brutality reached new heights in southern Lebanon yesterday with the blowing up of a religious centre in the town of Maarake.

At least 11 people were killed and 45 wounded when a booby-trapped car packed with explosive and ball-bearings shattered the outside wall of a husseiniya, a Moslem centre where villagers were meeting representatives of the Shi'ite Amal movement which co-ordinates resistance against the Israeli occupation forces.

Mohammed Saad, the guerrilla chief of Amal was taken to a UN troop hospital but died of his injuries.

In Beirut, six shells slammed into the international airport forcing it to close for half an hour and prompting the suspension by KLM, the Dutch Airline of its flights to the Lebanese capital.

The car bomb in Maarake came less than 48 hours after Israeli troops pulled out of the town, which was the site of the largest raid against a south Lebanese village ever last Thursday. A force of 800 Israelis stormed the little farm-town bulldozing and blowing up three houses. Some 200 men were rounded up for questioning.

Driving down to Maarake on Sunday to report on the aftermath of the raid, Ms Julie Flint of the Guardian and I were turned back by Israeli soldiers at Mazraat Froutn, 20 km east of Tyre.

Our journey back from what appeared to be an abortive mission provided us with an even closer and more gruesome look at the conduct of Israeli troops when faced with resistance activists.

We were eventually stopped on the outskirts of the township of Bralqaa. Seven Israeli soldiers, directing their Energa-mounted submachine guns, motioned us to pull off the road. Ms Flint, her driver Mohammed and I were led into an unfinished cement farm hut and interrogated as to whether we had seen terrorists block the winding street leading to the next village.

As we were chatting, a white car came down the hill. They ordered it to stop. Three young Lebanese men, who turned out to be Shi'ite Moslems, came out with their hands raised. They were asked for their birth dates, names and ages and kept in an adjacent open cubicle to ours. Only one hour later did Giddi, the unit's 18-year-old Israeli commander, stroll to their car to discover there were three Kalashnikov assault rifles in it.

THE Israeli army spokesman flatly denied yesterday that Israeli forces were involved in any way with the explosion at Maraake, reports our Tel Aviv correspondent. Military officials in Jerusalem said they believe the explosion was the result of a power struggle between Amal and the Shi'ite extremist Hizbollah group.

The Israeli soldiers reacted wildly to the revelation. Cursing in Arabic and using foul language, two of the soldiers tied the three men's hands behind their back and slapped them about shrieking, "bastards, bastards." One of the three guerrillas confessed they had "one rocket in the boot of the car." Ori, the unit's medic, rushed back to the hut to disclose that there were also two landmines in the car in addition to the "Kalashes."

Two of the men, Yousef Abu Zeid and Hassan Sabra, who said they were 19, were dragged off to the car and kicked repeatedly in the groin, their lower backs and stomachs. Hassan fell over, while three Israeli soldiers went down on one knee with their submachineguns readied on their shoulders for firing, the two guerrillas were ordered to unfasten the lock of the trunk with their hands still tied behind their backs.

The two guerrillas were they approached, Ori, the team's medic, noticing blood dripping down from Hassan's hands, because they were bound so tightly, bandaged his bleeding wrists.

"Tell them, we are on a mission, just like them. It's not our fault," he urged me to translate. He told me their mission was to shoot down an Israeli plane.

As we looked up the hill, we saw a cripple. Behind him walked a woman with a scarf on her head and child. She stopped, then disappeared over the top of the hill. The next thing we knew there were shots fired by Ari. Looking out of the hut, I saw a car on top of the hill. I saw women rush in and out in a flurry of activity and heard wailing from a distance. Ari, let out a yelp of joy and clapped his hands.

The cripple, bobbling on crutches, made it safely down the hill and was kept in the cubicle with the guerrillas. Suddenly, a woman flailing her hands and beating her sides, ran barefoot down the hill screaming: "You killed him, you killed him. My only son. Why did you do it, why did we have to come from here."

Hysterical, and incoherent with grief and rage, Nur Sadeq managed to tell me that her 11-year-old son, Hassan, had been shot in the forehead and was dead. Another daughter was wounded in the head. She threw herself on the grass and pounded her head on the ground, pleading with the Israelis to shoot her. "Why shall I stay alive, my only son, my only son, I have no other," she sobbed.

Giddi asked me if I could drive and told me to fetch the wounded. On reaching the car that was sprayed with bullets with the windscreen shattered, we found no one.

Afraid to drive further in fear that the Israelis would shoot from the back, or that resistance fighters would attack from over the hill, I froze. "What shall we do Julie, if we move, they'll shoot us." Upon reaching the little boy some 30 yards away, Julie put up her hand to the Israelis. I drove forward. Hassan, with his brain spilling out and his head and front soaking with blood was apparently still breathing.

Singapore economy grows by 8 per cent

By Chris Sherwell in Singapore

THE SINGAPORE economy showed real economic growth of 8.2 per cent in 1984, up 6.3 per cent in 1983 but less than earlier estimates after a sharper-than-expected slowdown in the last two quarters.

This was revealed yesterday in the Government's annual economic survey, published ahead of Friday's long-awaited budget. It attributed the trend principally to the expansion and subsequent slowdown of the US economy.

Officials are meanwhile repeating warnings that gross domestic product can be expected to grow only 5 to 7 per cent in 1985, provided there is no recession in the U.S. and Europe.

The survey reports that "indigenous per capita gross national product" — measuring income earned by Singaporeans and excluding foreigners — rose to S$12,353 in 1984 (£5,084 at current exchange rates). This was about 6.7 per cent higher than in 1983 in real terms.

Another significant feature of the survey is the slowdown of investment growth, from 8 per cent to 6 per cent, caused by a slackening in the pace of public sector investment, which grew only 7 per cent after 22 per cent in 1983.

The public housing programme and the Government's metro project, however meant that the fastest expanding sector in 1984 remained construction, at 14.2 per cent, well down on 1983's 28.7 per cent.

Manufacturing growth improved sharply to 8.8 per cent (2.1 per cent in 1983), led by U.S. demand for electrical and electronic goods, especially for the computer industry.

Expansion of the financial and business services sector, which turned out to be a major contributor to overall growth, actually weakened from 12.8 per cent to 10.5 per cent.

Alain Cass and Mohammed Aftab on Pakistan's election aftermath

Zia moves to consolidate power

PRESIDENT Zia ul-Haq, Pakistan's gentleman autocrat, has never been a man to take unnecessary risks.

Having given his country a very limited dose of democracy in non-party national and provincial elections last week, he moved swiftly at the week-end to enhance his own already great powers through a series of sweeping, if dubious, constitutional changes.

The elections, first for 207 seats in the previously hand-picked Consultative Assembly and, later in the week, for the four provincial legislatures, gave the President a distinctly mixed message.

The good news for President Zia, who has ruled Pakistan since seizing power in a coup in 1977, was that more than 50 per cent of the electorate turned out to vote, ignoring a boycott call by the country's banned political parties.

The turn-out, substantially higher than the 40 per cent predicted by the Government, helped to make the exercise internationally respectable, a vital factor in Gen Zia's attempts to maintain the flow of foreign economic and military aid to Pakistan.

The fact that so many Pakistanis turned out to vote, despite the non-political nature of the elections (no rallies, no processions and no manifestoes) was also an indication that Gen Zia is making headway in his attempts to wean the voter away from national and international issues and towards either local or religious ones, leaving the real power to his regime.

The bad news for the general was that a number of his top ministers were defeated. The only pro-government party to stood as individuals—was the field candidates—although they Jamaat Islami. The party, which is right-wing, zealously Islamic and pro-Zia, was trounced.

A close analysis of the results suggests that, while most candidates won or lost on purely local issues, it was Gen Zia's most vocal supporters who were defeated.

Others succumbed to voter frustration at Government inefficiency. In a nation bedevilled by perpetual shortages of electricity, for example, a virtually unknown candidate with an electric light bulb as his symbol crushed the unfortunate Minister for Internal Trade.

With more than half the contested seats in the new assembly having changed hands, therefore, President Zia was apparently taking no chances that his limited concession to democracy would back fire.

The pre-emptive constitutional changes announced at the weekend included the appointment of a supreme National Security Council dominated by himself and his fellow generals, powers to appoint and dismiss the Prime Minister, select his cabinet and provincial chief ministers, powers to dissolve parliament and send legislation back for reconsideration. Above all, under the new measures, the President's decisions cannot be questioned.

Commented one western diplomat: "The constitution has been personalised by Zia."

Critics of this latest move point out that the new parliament will not be able to vote on these fundamental changes. President Zia counters by saying that the referendum on his measures to introduce Islamic reform last December was, in reality, a vote of confidence in his rule and that the new measures are, therefore, legitimate.

He is now expected to ask the new assembly to ratify him as President for another five years during which time he may shed his military uniform and become a "civilian" head of state.

His critics, however, scoff at President Zia's promises to return Pakistan to civilian rule and lift martial law. They also fiercely contest the legitimacy of his powers claiming, among other things, that last December's poll was rigged.

Air Marshal Asghar Khan, former commander-in-chief of the Pakistan Air Force, who now heads the middle-of-centre Tehrike Istiklal Party (TIP), said: "Zia has pulled down the entire parliamentary edifice built by the 1973 constitution which will weaken Pakistan's federal structure. The new situation is a modified version of martial law, which is why the opposition will resist this illegal and unlawful government." He added: "Zia derives his powers from the December 19 referendum which was a farce."

Despite this criticism, President Zia seems under no immediate threat. The bulk of the leadership of the 11-party opposition Movement for the Restoration for Democracy is either under arrest or in exile. The high turnout at last week's polls will have further weakened its standing in the country. As one observer pointed out: "If they thought their candidates could win why didn't they stand?"

The army remains solidly behind the President.

The economy, weak though it is, has not served President Zia badly. Good cotton and wheat harvests, a tolerable 20 per cent inflation rate, $3bn in workers' remittances from abroad and a real growth rate of about 6 per cent in 1984 have helped to sweeten some of his harsher measures.

The prospects for his continued success will depend largely on his ability to keep the lid on the opposition while inching towards a form of guided democracy which nevertheless leaves ultimate power in his hands and those of his army colleagues.

Marcos sacks foreign minister

Philippine. President Ferdinand Marcos yesterday fired Mr Arturo Tolentino, his Foreign Affairs Minister, following a dispute over appointments to the diplomatic service, reports Samuel Senoren from Manila.

Mr Tolentino's brush with Mr Marcos is the latest in a long-running feud over party positions. He had been critical of Mr Marcos's exercise of emergency powers

NZ dollar declines on first day of free float

BY DAI HAYWARD IN WELLINGTON AND PHILIP STEVENS IN LONDON

DEALING on the foreign exchange market here was fairly quiet yesterday as brokers nervously watched the performance of the New Zealand dollar—floating free for the first time ever.

As predicted, the New Zealand dollar fell against most currencies—closing at U.S.$0.43 from its opening level of nearly $0.45—but volume was relatively low and dealers said no particular trends were established.

In London, the New Zealand dollar was initially marketed down to U.S.$0.43 in what dealers called a largely defensive move. But in quiet trading during the day it drifted upwards to close at U.S.$0.4340.

Dealers stressed, however, that, with spreads between buy and sell prices at 40 basis points, the New Zealand currency had still to stabilise fully.

Again the pound sterling, the New Zealand dollar rose from an opening NZ$2.50 to the pound to NZ$2.4654 at the close.

The decision to float the New Zealand currency was being seen here as the logical conclusion to a series of monetary and fiscal decisions taken since the Labour Government took office last July.

It immediately devalued the dollar by 20 per cent, which was moves including the ending of foreign exchange controls and the lifting of restrictions on interest rates.

Dealers said yesterday that they expected the market to be volatile for the next two or three weeks, but Mr Roger Douglas, the Finance Minister, again emphasised that the Government had no intention of interfering with the free float. The dollar was not vulnerable, he said, and the float was not a risk.

Some dealers and bankers yesterday predicted that the dollar would firm within a few days as there could be a shortage of New Zealand dollars when exporters who have been holding funds overseas in expectation of a float move to bring them home.

The New Zealand reserve bank is holding NZ$ 2.2bn (£902m) in various currencies, and, while it will be reluctant to enter the market, it could do so to sort out bumps over the next few days.

Mr David Lange, who was visiting London at the time of the decision to float the currency, said that he was "absolutely determined that never again will New Zealand be a hostage to a situation where currency speculators can rely on the Government using taxpayers reserves to provide a profit for them."

Botha to take 3% cut in his salary

SOUTH AFRICAN president, Mr P. W. Botha, yesterday announced in parliament a symbolic 3 per cent cut in his salary and that of ministers and members of the tricameral assembly, Anthony Robinson writes from Johannesburg.

The move is seen as tacit acknowledgement of widespread criticism of the heavy cost of the new constitution which provides separate assemblies for Whites, Coloureds (mixed race) and Indians.

● An explosion yesterday damaged the Kroonstad offices of the ruling National Party, but no one was hurt.

Kroonstad, in the Orange Free State province, lies near the black township of Seeisoville where two died after school boycotts protesting that education for blacks was inferior.

● All 26 passengers aboard an Angolan airlines Boeing 737 were killed when the aircraft was shot down last Wednesday by Unita, the anti-government guerrilla force, a rebel spokesman claimed yesterday, reports Reuters.

● Five crew members of a French air force cargo plane, taken captive briefly by insurgents while on a mercy flight in Ethiopia, flew back to Addis Ababa yesterday, AP reports.

Britain calls on Japan to open telecom market to foreigners

BY JOHN BURTON IN TOKYO

FINANCIAL TIMES
Telecommunication Liberalisation
CONFERENCE

JAPAN SHOULD follow the example of the UK and open up its telecommunications market to foreign equipment manufacturers, a British Department of Trade and Industry official told Japanese government and industry representatives yesterday at a conference sponsored by the Financial Times and Nomura Research Institute in Tokyo.

"It must be suggested that a basic part of the thinking in any country approaching liberalisation (of the telecommunications market) is that there is no shame, no discredit, indeed there is great advantage, in approving apparatus originating abroad," said Mr Thomas Sharp, assistant secretary of the telecommunications division at the UK's Department of Trade and Industry during a seminar on the "liberalisation of telecommunications."

The symposium, which concentrated on the British experience since 1981, coincides with the scheduled April 1 liberalisation of the Japanese telecommunications market.

Mr Sharp suggested that Japan "should take full account of international standard discussions" in drawing up equipment specifications and that the director of the agency responsible for approving the use of telecommunications equipment in Japan should be "independent alike of government, the network operators, domestic manufacturers and international companies."

He noted that Japan is approaching the liberalisation of the telecommunications market in a much more cautious manner than Britain with the Japanese government for example, retaining majority control of Nippon Telegraph and Telephone (NTT) for the foreseeable future.

"I have to ask the question . . . whether the investors of Japan will have confidence that their government will not succumb to the temptation to interefere with NTT's decision after only 10-20 per cent of its shares have been sold. It is a point worth some reflection."

Mr Sharp also gently chided Japan for prohibiting foreigners from buying NTT shares, while Japanese were allowed to become major holders of British Telecom shares. "Our belief is that openness in respect of investment is itself a valuable complement to openness in respect of trade and we hope that belief will prove infectious."

In discussing the future of Britain's telecommunications policy, Prof Bryan Carsberg, director general of the Office of Telecommunications (Oftel), the industry's regulatory watchdog, predicted that price regulation of some BT services, including domestic line rentals and local call charges, is likely to be extended beyond the initial five year period.

These services are subject to the so-called RPI-3 rule, which limits price increases per annum to the increase in the retail price index minus 3 per cent. Mr Carsberg said an extension of "price control of some kind will be needed until competition becomes effective."

But Gordon Owen, chief executive of Mercury Communications, BT's only authorized competitor in the common carrier market until the end of the decade, warned that the British Government may have to take additional steps to ensure Mercury's survival in the market.

BT's activity "must be monitored and controlled in such a way that gives Mercury a chance to develop its business," Mr Owne said. "If this is not done, competition will not survive."

Not only should the Government prevent possible "predatory pricing" by BT, but Mercury should be permitted to interconnect with BT's communications networks, he added. Otherwise, "it is economic nonsense to expect a newcomer to succeed without some help and understanding from the authorities."

While acknowledging that BT has a strong position in the British telecommunications market, Mr John King, BT's director of marketing and corporate strategy, said the introduction of new services by the company "will clearly be necessary because of the falling profitability in simple transportation of voice and data."

"We do not claim today to be leaders in data processing or all aspects of office automation. We believe it will be necessary to add these complementary skills to our existing strengths and our future involvement in international products for international markets, will bring us nearer to our goal—to be an information systems company," said Mr Sharp.

Reagan presses case for MX as arms talks near

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan will decide this week on the U.S. negotiating position fnr the forthcoming Geneva arms talks, while at tbe same time pressing Congress fnr $1.5bn (£1.4bn) to continue production of the MX missile which he regerds as fundamental to the success of the talks.

Mr Reagan continues bis consultations with allied leaders nn the U.S.-Soviet talks at a White Housa meeting tnday with Signnr Bettino Craxi, the Italian Prime Minister, and is to meet Mr Vladimir Shcherbitsky, the Ukrainian Communist Party leader and a member of the Soviet Pnlitburo, in Wasbington on Tbursday.

Yesterday, Mr Reagan sent Congress an 18-page report on the MX, arguing that failure to continue the programme "would significantly undercut U.S. ebility to negotiata meaningful arms control agreements in Geneva and send an unmistakeable signal tn the Soviets that we lack the resolve to maintain onr national security policy of deterrence."

The MX faces a series of crucial votes in both House and Senate, starting little more than a week after the Geneva talks resume on March 12. While opponents *of the missile* have not given up bope of defeating it, the general feeling on Capitol Hill is that the opening of the arms talks should work in Mr Reagan's favour.

Mr Shcherbitsky, the leader of a 30-member parliamentary group from the Supreme Soviet, said on arrival in Washington that Moscow was not seeking to win strategic advaotages in Geneva, but wanted an end to the arms race. "Successful talks would be an important contribution tn solving the most important problem of the day—removing the threet of nuclear war," he said.

The Sovlet group's 10-day goodwill tour nf the U.S. is in return for a 1983 visit to the Soviet Union by a bipartisan group from the U.S. Congress. Mr Shcberbitsky is the first full member of the Polithuro to visit tbe U.S. in 12 years apart from Mr Andrei Gromyko, tha Soviet Foreign Minister, but be is nnt expected to become in1volved in any concrete negotiations.

Mr Richard Burt, Assistant Secretary of State European Affairs, meanwbile warned in an interview with the West German newspaper Die Welt that Moscow's negotiating strategy would be to drive a wedge between the U.S. and its European allies. Mr Burt and the U.S. negotiating team are to brief the Nato cnuncil in Brussels on March 11, on their way to Geneva.

Conservatives fill posts in Neves Government

BY ANDREW WHITLEY IN RIO DE JANEIRO

THE POLITICAL complexion of Brazilian President Tancredo Neves' Government, which takes office in 10 days following his inauguration, will be heavily conservative with left wingers very much in a minority.

Among its seninr nfficials will be: Sr Francisco Dornelles, head of the Brazilian Inland Revenue as Finance Minister, Sr Olavo Setubal, President of the giant Itau financial group as Foreign Minister, and Sr Aureliano Chaves, the outgoing Vice-President, who is to become Mines and Energy Minister.

The central bank governor in the new administration—likely to be the key negotiator with foreign bank creditors—will almost certainly be Sr Antonio Carlos Lemgruber. Sr Lemgruber, 37, has been international director of Banco Boavista and is an orthodox, U.S.-educated monetarist.

With the exception nf a few prominent names from the past, an almost complete sweep of thousands of officials from the outgoing military regime is taking place—right down tn the second and third levels of government. Most are being replaced by politicians rather than the technocrats favoured by the military.

The formal announcement of the Neves Cabinet is not expected until later this week. But its broad shape is already defined. Indeed, many of the new ministers, especially in the economic area, are already working alongside their predecessors, familiarising themselves with their portfolios and drawing np their nwn lists of subordinates.

At the central bank, the important post of external affairs director is expected to go to Sr Sergio de Freitas, international director of the Banco Itau and a long-time collaborator with the new Foreign Minister. This link will boost the more preminent role the Foreign Ministry is expected to play in future over the foreign debt issue.

All that is delaying the formal announcement of the new Government is believed tn be the choice of the Justice Minister and the heads of the various ministries to be formed after the break-up of the monolithic Interior Ministry.

Alfonsin reshuffles army high command

By Jimmy Burns in Buenos Aires

PRESIDENT RAUL ALFONSIN of Argentina has reshuffled his army high command in a move apparently aimed at ensuring military discipline during a crucial political year.

The Ministry of Defence announced yesterday that General Ricardo Pianta would replace General Julin Fernandez Dorres as tbe bead of the Joint Chiefs nf Staff.

General Pianta will in turn be replaced as Army Commander by General Hector Rins Erenu, bead of tbe Third Army Corp based in tha northern city of Cordoba. There were unconfirmed reports yesterday that some Navy rear admirals and Air Fnrce brigadier generals would also be forced into retirement.

Both General Pianta and General Rios Erenu are widely regarded as sympathetic tn the Government. However, the Ministry of Defence moved swiftly yesterday to refute speculation that tha third military reshuffle since President Alfonsin took power in December 1982 hinted at renewed tension between the ruling Radicals and tbe armed forces.

The ministry said the changes were routine end were part of the traditional year end promotions which bad been delayed in December by the prolonged illness of Sr Raul Borras, the Defence Minister.

However, it is rellably understood that the reshuffle follows a heated meeting last week between Sr Borras and group of generals in active service

The Government is apparently bracing itself for military unrest once the former juntas are put on trial in the second or third week of April. According to a weekend public opinion poll published by the military-linked weekly magazine Somos, a growing number of Argentines are increasingly worried by the Govarnment's handling of the armed forces.

An estimeted 56 per cent of those questioned believed that the military will attempt a coup before President Alfonsin finisbea his fifth year presidential term in 1989. Only 36 per cent think *this* unlikely.

Pittsburgh reveals its best kept secret

By William Hall in New York

FRANK LLOYD WRIGHT, the famnus American architect, nnce said that the best thing that could be done with Pittsburgh *would be to* abandon it, so it will come as a surprise to many people that the former capital of smokestack America has just been vnted the best place to live in the U.S.

For years Pittsburgh has heen struggling to change its public image from that of a grimy working man's town on a par with Scuntherpe, to a pleasant elty. Its message finally seems to have got across. Rand McNally, the U.S. map and guidebook publisher, last week put Pittsburgh at the tnp nf a *lost of* 329 U.S. cities in its 448-page Places Rated Almanae, which measures *everything* from how many bowling lanes there are per head of population (*Green Bay, Wisconsin,* comes out top) to the least safe placo in the country (*you guessed it, New York*).

Mr Richard Caliguiri, Pittsburgh's mayor, is over the moon about the listing which is worth several million dollars in free advertising for his elty. "Wa're the best kept secret in the world and now the secret is out," says Mr Caliguiri. However, not everyone is so ecstatic about Rand McNally's judgments.

Mr Ed Koch, New York'a maynr, described the rankings as "worthless" and said Rand McNally would do better sticking to meking maps. The residents of Yuba City, California, rated the worst place to live in America, are reported to have ordered a ceremonial bonfire of Rand McNally maps on the 10th Street bridge.

The top five cities in nrder nf impnrtance are Pittsburgh, *Boston,* Raleigh, Durham, San Francisco and Philadelphia. The five worst cities are Yuba City, Pine Bluff, Modesto, Dotban, Albany. New York ranks 25th.

Mary Helen Spooner reports on Washington's concern at the growth of left wing terrorism

U.S. signals disenchantment with Pinochet

THE Reagan Administration bas begun to re-examine its policy of benevolence towards Chile, but is balking at the notion of directly applying pressure nn General Augusto Pinochet'a regime.

Last month Mr Langhorne Motley, U.S. Assistant Secretary of State for Inter-American Affairs, paid a three-day visit to Chile, meeting with Gen Pinochet, senior Chilean officials and labour, church and npposition leaders. Mr Motley'a visit came on the heels of the U.S. decisinn to abstain from voting on an Inter-American Development Bank loan to Chile in protest et the regime's extension nf the state of siege.

There could have been no clearer signal than this of U.S. concern at the state of Chile after 11 years of Gen Pinocbet'e dictatorship.

In *his public statements* during the trip, Mr Mntley repeatedly emphasised tbat he bad coma "only to listen, nnt tn prescribe solutinns." Yet be expressed tacit support fnr the Pinochet regime wben he told El Mercurio, Chile'e largest newspaper, that the Western world owed a debt of gratitude to Chile for the 1973 military coup which overthrew President Salvador Allende's Leftist Government and brought the Pinochet regime to power.

At the same time, U.S. officials are concerned by what they perceive as a growing and dangerous political polarisation in Chile. According to this view, Gen Pinochet's intransigence and divisions among his opponents are inadvertently helping the growth of Leftist terrorism. The U.S. State Department's 1984 buman rigbts report on Chile noted tbat the number of terrorist attacks in the country bad jumped from 195 in 1983 to 735 last year. While blaming the terrorists for some of the human rights violations in the country, the report acknowledged that the state of siege had caused e general deterioration in respect for human rights.

The U.S. bas also attempted to encourage the formation of a broad-based opposition front thet wou'd include moderate Socialists, the Christian Democrats and other centrists and democratic-minded Rigbtists, wbile excluding the Communists.

Bnt, while opposition to the Pinochet regime is a widespread as ever, Chile's dissident groups bave still nnt been able to fnrm a cohesive nrganisation nr even to agree on the most effective way to deal with the regime.

The Leftist Democratic Popular Movement ha called for a day of protest on Marcb 27, without the backing of more mainstream oppositinn groups.

Part of the Reagan Administratioo's dllemma lies in the fact that it has *few* ways of influencing Gen Pinochet, even if it were to take sucb a decision. U.S. arms sales, military aid and most economic aid to Chile ended during tha Carter years and some of the measures the Reagan Administration reversed, sucb as credit from the Export-Import Bank, are arguably of greater use to U.S. businesses than to Chile.

Gen Pinochet . . . reminds visitors tbat Chile does not accept "outside meddling"

Mr Motley's British counterpart, Sir William Harding, visited Santiago last week as part of e regional tour. Mr Hardiog's *public* comments were less non-committal than those of the American official and, in a departing statemaot, he said that humao rights bad been an issue in all his conversations with Chilean officials. Britain may have more resources at its disposal in Chile than does the U.S., in view of the Thatcher Government's decision to lift the arms embargo in 1980.

The Pinochet regime tends to become defensive and openly irritated at *any suggestion of a* forelgn government attempting to influence its internal pollcies. Gen *Pinochet,* in *particular,* customarily begins his meetings witb forelgn visitors by curtly *remlnding* them *that Chile does* not accept a "foreign inspection" or "outside meddling."

It remains to be seen whether the U.S., Britain and other European and Latin American countries would ever move to block loans to Chile by multilateral lendiog agencies such as the IADB and the World Bank. Some diplomats ln Santiago are worried that such moves might provoke a nationalistic reaction amnng the genersl'a Right-wing critics and drive them away from an incipient opposition coalition and back into the Government's arms.

Previous U.S. administrations beve put pressure on Gen Pinocbet through the multilateral institutions, with mixed results. From 1976 to 1980 the Ford and Carter Administrations voted against nine loans *to* Chile worth $229.4m on human rights grounds. Althougb the loans were all eventually *approved,* a Washington-based research institute, the Center for International Policy, esti*mates* that Chile lost between $500m and $700m in multilateral loans. The Carter *Administration and* several European nations were prepared to block tha loans and *Chile withdrew* them before they came to a vote.

At the same time, any *economic damage* the withheld loans might have had was more than offset by the availability *of commercial* foreign loans during this period.

The Pinochet Government is facing a period of severe financial austerity this year as it seeks fnreign financing to cover an estimated $1.4bn current account deficit. This time, a reduction in multileteral credits would be felt within *Chile,* increasing economic dissatisfaction and maintaining *domestic discontent.* Economic sanctions migbt give a slight boost to the morale of some sectnrs nf tha npposition, but will not belp tha movemant as a whnle find its way. And, without a coherent polltical alternative tn tha General, tha Cbilean strongman is likely to continue to rule unchallenged.

Earthquake kills 124 in central Chile

By Our Santiago Correspondent

A SEVERE *earthquake,* measuring 7.4 on tbe Richter scale, shook central Chile on Sunday night, *causing* at least 124 deaths and injuring mnre than 2,000 people.

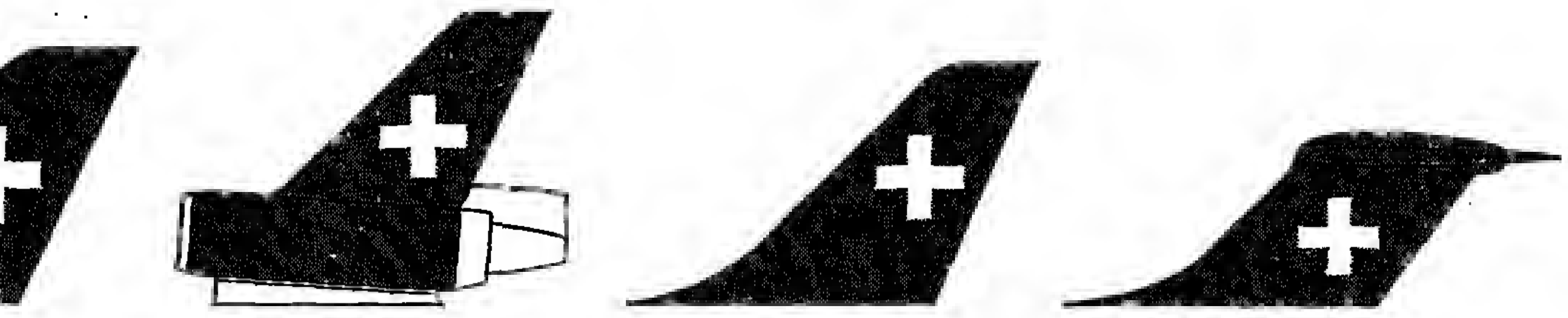
The most affected areas were the port city of Valparaiso and the eoastal resort of Vina del Mar, located just 15 miles from the earthquake's epicentre in the Pacific Ocean.

Landslides blocked rnads from the capital to the coast, while electrieal power was cut off in most areas.

Gavernment Secretary Gen Francisco Cuadra said port facilities in Valparaiso had been *damaged.* At El Teniente, Chile's second largest state-owned copper *mine, officials* reported little damage bnt prodnction was halted for the day.

Gen Augusto *Pinochet,* whn had been visiting Chile's sonthernmost city Punta Arenas, cut shnrt his trip to return to Santlago late on Sunday night. In a message broadcast on national radin stations, he urged Chileans to remain calm and said tbe authorities had the situatinn under control.

The earthquake damage is likely to exacerbate Chile's serious economic erisis, forcing np public sector spending



WORLD TRADE NEWS

Lotus joins Chrysler to develop engines

By John Griffiths in London

GROUP LOTUS has signed a contract with Chrysler Corporation of the U.S. under which the two companies will jointly develop and engineer a family of high-performance engines for Chrysler's 1988 model year passenger cars.

The deal was signed in Detroit on Friday. Both sides are refusing to put a monetary value on the contract. But it is acknowledged to be more important for Lotus than a collaboration agreement the company signed with Toyota in 1981. The Japanese deal – under which Lotus is carrying out research and development for Toyota in exchange for components for existing cars and its new X100 sports car to be launched late next year – was itself seen as e landmark in the progress of Lotus' engineering consultancy division, set up in 1978 under the stimulus of a £12m ($13.2m) contract to develop the ill-fated De Lorean.

While Lotus executives refused to comment on the Chrysler agreement in detail, they see it as opening the door to a wider, long-term relationship with North America's third largest car maker,

Chrysler, which came close to bankruptcy in 1980, has been steered to e major revival by its chairman, Mr Lee Iacocca, the former Ford president. Last year it produced about 1.2m cars and reported net profits of $2.4bn.

Brazil and Nigeria agree $1bn countertrade deal

BY PATTI WALDMEIR

BRAZIL is set to become one of Nigeria's top trading partners in 1985 following conclusion of e controversial $1bn (£909m) counter-trade deal between the two countries.

The deal could signal e major shift in the traditional pattern of trade with sub-Saharan Africa's largest market.

Trade officials in Lagos believe the deal, which balances exports of Nigerian crude oil against imports of raw materials, spare parts and manufactured goods from Brazil, could catapult the country into first place as Nigeria's largest supplier in 1985—displacing Britain, which has held this position virtually since Nigeria's independence.

Trade with Nigeria in more recent yeers has been dominated by Britain, the U.S., France, West Germany and Japan.

Although exports from each of these countries have fallen sharply since 1981 under the impact of the Nigerian economic crisis—the country's imports were slashed last year to naira 7.2bn (£9.6bn) from N12bn in 1980-82, and are due to fall further to N3.15bn this year—they have still maintained their predominance in the market.

Trade officials believe this predominance could be challenged by the Brazil-Nigeria pact and a number of similar, though more limited arrangements now believed to be under discussion with countries which have until now been relatively marginal trade partners.

The pressure on Nigeria to consider such deals is intense. At a time when banks are reluctant to confirm letters of credit for Nigeria and Western export credit coverage is severely limited, the temptation of using direct oil sales to guarantee credit lines is strong.

With imports already cut to the bone, Nigerian industry simply cannot afford the sometimes lengthy delays involved in getting letters of credit confirmed overseas, say trade officials in Lagos.

A strength of the Brazilian deal is that confirmation is virtually automatic. Cotia, the Brazilian trading house involved in the deal, says the arrangement is a natural solution for two countries with serious cash-flow problems — Cotia calls them "partners in trouble."

The agreement involves two independent contracts:

- Under one, the Nigerian Nstional Petroleum Corporation (NNPC) sells some 40,000 barrels of oil per day to Petrobras, the Brazilian state oil company;
- Under the second, Nigeria purchases some $500m-worth of urgently needed imports from Cotia Comercio Exportacao e Importacao, the largest private trading company in Brazil.

As cash payments are involved, payments are made through an escrow account in New York, which is cleared monthly.

Nigeria's Finance Ministry is believed to have resisted the deal, and was reluctant to see Cotia guaranteed a monopoly over a volume of trade which represents at least 13 per cent of total budgeted visible imports of 1985.

It argued that the company would have little incentive to ensure prices were competitive. NNPC officials opposed it, too, on the grounds that the complicated provisions of the deal could mask a discount on the crude price.

Clearly, there is a danger such deals can prove costly. But with the world oil market likely to remain relatively depressed in the short term, what must determine the attractiveness of countertrade arrangements is whether or not they bring Nigeria new customers for its oil.

This appears to have been the case for Brazil, with Petrobras increasing its normal purchases from Nigeria by 40,000 barrels a day. But it is not clear that there would be additional amounts involved in some of the other deals now believed to be under consideration.

Whether or not any other countertrade deals are concluded in 1985 the Brazilian deal alone has traditional exporters worried.

Exports from the U.S., West Germany and Japan continued their slide in 1984, with U.S. exports falling 40 per cent to $570m from $863.5m in 1983. West German exports declined 44 per cent in the first nine months of 1984 against the same period a year earlier and Japanese exports fell more than 20 per cent in the 11 months.

Bull's Blood agent switch sparks UK court action

By Margie Lindsay and David Buchan

BLOOD—or Hungarian Bull's Blood to be more precise—may soon be all over the floor of the British law courts, following legal steps by Colman's of Norwich to try to block the recent award to another UK agent of the exclusive right to sell the leading Hungarian red wine in this country.

Colman's lost their 14-year-old right to sell Bull's Blood in the UK on February 14, when Egervin, the Hungarian producer and brand-owner of the famous Bull's Blood of Eger, gave the exclusive UK sales rights of its product, backdated to January 1, to Hedges and Butler, the Bass wine and spirit subsidiary.

Colman's is fighting back. But the Norwich agent remains silent about its precise course of legal action, not going beyond a statement admitting that "a dispute has arisen between us and Monimpex (the Hungarian wine export agency) and Egervin," and that Colman's has started "proceedings" in order to "protect its position and to resolve the problem."

The problem, for Colman's, arises somewhat bizarrely out of the Hungarian Government's reforms—much lauded in the West — to introduce more competition and flexibility into that country's trading practices.

Until last April, Monimpex with which Colman's had its Bull's Blood sales contract had the monopoly on all Hungarian wine exports.

Since then, individual wine producers have had the right to export and sign their own agency deals, and Egervin has now used that right.

Egervin's ground for putting its UK sales in different hands would not appear to concern the volume of Bull's Blood sales, which rose 15 per cent last year after Colman's started marketing it in 3-litre boxes.

But Mr David Jenkins, a Hedges and Butler director, stressing that his company was in no way party to the current vinous dispute, said late last week that Egervin approached his company in the second half of 1984, claiming it wanted a different, more "up-market" sales pitch for its red wine.

East European countries such as Hungary with no general trade agreements with Brussels, face EEC quantity restrictions on their wine. Producers such as Egervin may therefore be more interested in the price than the quantity of their exports, particularly when faced with other East European competition in lower grade wine.

Meanwhile, Hungarian trade officials in London seem wryly amused about the "knock-on" effects in the UK from their economic reforms back home.

U.S. steel import surge continues

THE U.S. imported 2.6m tons of steel in January, up 22.6 per cent from 2.16m tons in December, for the second highest monthly total on record, AP reports from Pittsburgh.

The American Iron and Steel Institute said that, paced by record shipments from developing countries, imports represented 30.9 per cent of the domestic steel market. The average market penetration for 1984 was a record 26.7 per cent.

In a related announcement, U.S. Steel, the nation's largest steelmaker, said it filed five anti-dumping and countervailing duty petitions with the U.S. Department of Commerce and International Trade Commission against steelmakers in Austria, Romania and Venezuela.

U.S. Steel claimed the countries are selling tubular steel for the oil industry at less than fair value.

Britain 'willing to share technology with China'

BY CHRISTIAN TYLER IN PEKING

BRITISH companies were ready to treat China as a "full partner" by transferring industrial technology, China's Premier, Zhao Ziyang, was assured in Peking yesterday.

Lord Young, Minister without Portfolio, who is leading a high-level trade mission from the UK, reported later that the Chinese Premier had complained to him that the Japanese were not willing to share their technology although they were competitive on price.

While the British mission was being received in the Chinese leaders' compound beside the Forbidden City, a big Japanese mission in Peking this week was granted audience with Deng Xiaoping, China's paramount leader.

Lord Young was at pains to stress that the British had been given a special mark of favour in meeting both the Prime Minister, his deputy, Li Peng, and 10 other Ministers during the first leg of their mission.

He rejected suggestions that the UK had been given a less warm welcome than the Japanese.

Meanwhile, it emerged that what was billed as a selling mission has none the less included a number of offers by UK companies to set up equity joint ventures, on which the Chinese are particularly keen.

For example, British Oxygen —represented by its chairman, Mr Richard Giordano—said in private talks that it was ready to commit itself to a £30m-£50m gas plant venture in Shanghai and asked how much the Chinese were ready to invest on their side.

Mr James Prior, chairman of GEC, said a number of proposed joint ventures involving GEC divisions, were fully discussed and he hoped these would lead to firm commitments.

The delegation's meeting with the Chinese Premier followed a ceremony at the Great Hall of the People where one business contract was confirmed and two other possible deals for British companies were nudged forward.

Cable and Wireless signed a joint memorandum for feasibility studies that could strengthen its presence in China's big telecommunications programme.

The company hopes to set up a joint venture with the Chinese Government for improving communications in the big industrial area of the Yangtse River Delta — a programme on which the Chinese expect to spend $500m (£454m) over the next five years.

The other feasibility study is for a telecommunications technology centre in Peking, costing about $20m, which would advise authorities all over China of their different needs.

Rolls-Royce signed a protocol which takes it a step nearer to a £16m order for four Spey engines to power generators in the Nan Jiang oilfields. The company has already supplied three such engines to China.

The only company to clinch a deal yesterday was Abeling Barford, the former BL heavy vehicles manufacturer, which is not represented on the UK delegation.

Abeling Barford was celebrating a contract won several months sgo to license production of 600 30-ton dumper trucks over the next seven years. Sales of UK-mede components to a Peking factory could be worth around $60m over the life of the contract.

The British delegation leaves for Shanghai today and will visit Canton and Hong Kong before returning to the UK.

- China has ordered two colour television manufacturing plants worth a total of more than Y3bn (£10m) from Victor Company of Jspan, a Victor spokesman said, Reuter reports from Tokyo.

One plant, for the Shanghai branch of the China Electronics Import Corporation, will have the capacity to make 210,000 televisions a year, starting on September 30, 1985.

The other plant, for Dadong City Electronic Industry Corporstion, will make 150,000 sets annually beginning in October this year.

Lisbon £250m surplus with UK

BY DIANA SMITH IN LISBON

PORTUGAL ENJOYED a £250m trade surplus with the United Kingdom in 1984—over three times its 1983 surplus of £79m.

Robust Portuguese exports to the UK and a sharp drop in British exports to Portugal produced this record surplus.

Britain's share of the Portuguese market has slipped from first or second largest supplier in the 1960s and 1970s to third or fourth in this decade, with a share of between 7.5 and 8.8 per cent.

The U.S. — a major source of Portuguese food imports of more than $800m (£727m) a year—West Germany and France have overtaken the UK. However, Britain is still Portugal's largest single export market, taking 14.8 per cent of exports in 1983 and 15.4 per cent in 1984. West Germany is the second largest market for Portugal, with 13.6 per cent of exports.

Portuguese fsbrics, yarn and clothing—items that represent 42 per cent of national industrial output — dominate exports to Britain, and grow annually.

In 1984, £152m-worth of yarn and fabrics and £116m-worth of clothing made up almost half the £645m-worth of Portuguese goods exported to Britain.

This compared with fabric and yarn exports worth £133m and clothing exports worth £88m in 1983.

Other major Portuguese exports to the UK were pulp and waste paper (£45m in 1984 and £27m in 1983), cork and wood (£39m in 1984 and £28m in 1983) and footwear, one of Portugal's fastest-growing export items, which increased in value from £20m in 1983 to £27m in 1984.

By contrast, many British exports to Portugal shrank. Figures for the value of these are not yet available, but it is known that the most drastic drop in 1983 and 1984 was in commercial vehicle components.

This reflects a depressed Portuguese market after a 1981-82 commercial vehicle boom fed by locally-assembled Ford, General Motors and British Leyland vehicles using components imported from Britain.

British exports to Portugal slid from a peak of £439m in 1982, when Britain had a £49m surplus, through £397m in 1983 when Portugal went into surplus, to £386m in 1984—a £53m decline in two years.

Other major exports to Portugal such as oil, oil products and machine tools also dropped, reflecting Portuguese recession and austerity.

That recession and more Government support for exports drove many Portuguese manufacturers to market abroad more energetically.

After a 6 per cent decline in 1984, imports are expected to grow by 8 per cent in 1985, enabling Portugal's trading partners to make up a little of the slack.

Chinese award Ericsson £15m telephone order

By Kevin Done, Nordic Correspondent, in Stockholm

ERICSSON, the Swedish telecommunications group, has received orders totalling SKr 160m (£15.8m) to supply its Axe digital telephone exchanges to four cities in China.

The largest contract covers the supply of four digital exchanges to the city of Dalian in the province of Liaoning in Northern China. The order includes three local exchanges and a toll exchange to handle long-distance traffic.

A complete digital telephone network with two Axe exchanges and optical fibre transmission systems is to be supplied to the coastal city of Ningbo.

A combined local and cellular radio mobile exchange has been ordered for the summer resort city of Qinhuangdao, some 380 miles to the east of Peking, while a further 7,000-line local exchange is to be supplied to Peking.

Ericsson has now received orders for more than 100,000 Axe lines from China, and already has the system in operation through earlier digital exchanges supplied to Peking and Shenzhen.

John Moore reports on the prospective new dealers in government securities

Finance groups flock to join market

MORE THAN 20 financial groups, including eight large U.S. securities and investment banking groups, are to seek recognition as market makers in the reformed British government securities market.

Their entry into this market, if approved by the Bank of England, could revolutionise trading in Britain's domestic bond market and produce unprecedented competitive pressures.

Lloyds Bank is one of the latest groups to indicate that it plans to establish a primary dealership to trade British government securities as a subsidiary of a merchant banking group it is forming. Lloyds joins the growing list of those that are contemplating entering the British gilt-edged market for the first time as market makers.

For years the British gilt-edged market, which last year turned over £268bn, has been dominated by just two market makers, Wedd Durlacher Mordaunt and Akroyd & Smithers, with one or two smaller market makers in the background. There is estimated to be about £100m–£150m of capital in the present market.

This is set to change. On the present timetable, fixed scales of commission in the British securities market, which have supported local market makers for years, are set to be abolished in about October 1986. The prospect of a more competitive environment has led securities houses – including the two main market makers, Wedd and Akroyd – to forge links with outsiders: Wedd Durlacher with Barclays, the British clearing bank, and Akroyd with a large merchant banking group, S. G. Warburg.

With other outsiders coming into the gilt-edged market, through their own links with British securities houses, the amount of capital supporting market-making operations could grow to more than £600m. There could be eventually about 40 dealers trading in the traditional markets of Wedd Durlacher and Akroyd.

Mr John Davies of stockbrokers Quilter Goodison, headed by Sir Nicholas Goodison, chairman of the London Stock Exchange, said that the firm and its new overseas ally, Skandia Life, had no intention of becoming involved in the market. "The gilts market is going to be a bit of a blood bath. Whether the volume of trade increases sufficiently for the new participants remains to be seen," he said.

One leading banker whose firm is seeking primary dealership status admitted: "We will enter this with a heavy heart but we have to do it in order to gain a position. We are not going to make the sort of returns we would normally be looking for."

American groups are more optimistic. At the London office of Drexel Burnham Lambert, the U.S. securities group, Mr Stuart Lewis, the vice-president, said: "We do not expect immediate returns in the short term. When the London International Financial Futures Exchange started in 1982 we struggled along with our four seats and now we are happy. We are taking a long-term position."

Mr Donald Roth, chairman of Merrill Lynch Europe, has hired Mr John Hutchinson, a former senior gilts partner of Wedd Durlacher, to be managing director of the firm's gilts sales and trading activity. "We want to be ready to become a primary dealer. There are likely to be a few storms in the British bond market but we are in for the long term."

Mr David Jones, a vice-president of Goldman Sachs, is equally optimistic. "On our assessment of the market, the figures look reasonable. Markets are not independent any more, they are interdependent as far as capital flows are concerned. We have to participate."

Bankers Trust has started recruiting dealers to its proposed primary dealership operations, taking on individuals from British brokers Montagu Loebl Stanley, Buckmaster and Moore and Panmure Gordon. Orion Royal Bank's Kitcat & Aitken stockbroking interests are recruiting to expand their gilts operations.

Other U.S. groups, such as Bank of America, Chemical Bank, and Salomon Brothers are weighing up the prospects for participation, although both Chemical and Salomon are "inclined" towards primary dealership.

Among independent groups in the UK, the discount houses are among the most prolific contenders for primary dealerships. Clive Discount, one of the smaller discount houses, is still thinking seriously about the situation. King and Shaxson and Smith St Aubyn, both among the smaller of the discount houses, are not going to attempt it largely because of their size. But Union Discount is entering the fray and has recruited three gilt-edged dealers from Laing & Cruickshank.

Cater Allen's Alistair Buchanan said: "We think that we ought to be in the market." Gerrard and National, one of the largest discount houses, has formed a joint company with James Capel, in which Hongkong and Shanghai Bank has a stake, to develop a primary dealership.

All those surveyed by the Financial Times feel that between £15m to £25m will be the amount of capital which will be required for a primary dealership which, following Bank of England guidelines, will have to be separately capitalised.

Among European groups, Union Bank of Switzerland will be a player in the primary dealer market through its Phillips and Drew interests. Deutsche Bank holds a near 5 per cent stake in Morgan Grenfell, which through its links with the British securities market will also be seeking status.

Crédit Suisse, with a stake in brokers Buckmaster & Moore, is still considering the possibilities. If it attempts anything, it is likely to do so through its London affiliate Crédit Suisse First Boston.

Japanese securities houses, such as Nomura, have yet to declare their hand and their admission as primary dealers could depend on the rate at which their own financial community is opened up to overseas interests.

Companies which are to set up as market makers in UK government stocks will have to be members of the British Stock Exchange. The Bank of England, which outlined its original plans last November, has been waiting for the stock exchange to produce the necessary constitutional changes to allow outside members. That has taken longer than expected.

The Bank is working on its own formal plans which will be published in the next few weeks together with an indication of the number of likely applicants.

Hill Samuel's Richard Lloyd observed: "There will be too much capital coming on to the market. There will be losses. But the Bank of England and the Government are reluctant to intervene to limit the numbers as they prefer to leave market forces to curb the numbers.

"What they do not realise is that it is highly unlikely that firms will withdraw once they have got a place as it will mean too much loss of face. They will just shoulder the losses."

Traded options, Page 28

THE CANDIDATES

Security Pacific (Hoare Govett). Citicorp (Vickers da Costa/Scimgeour Kemp-Gee/Seccombe Marshall & Campion). Mercury International (S. G. Warburg/Akroyd & Smithers/Rowe & Pitman/Mullens). Mercantile House (Alexanders/Jessel, Toynbee & Gillett/Laing & Cruickshank). Schroders (Helbert Wagg & Co, Anderson Bryce Villiers). Kleinwort Benson (Grieveson Grant/Charlesworth & Co). Hongkong & Shanghai Banking Corporation (James Capel, which has a joint venture for market making with Gerrard and National, an independent discount house). Midland Bank (Samuel Montagu/W. Greenwell). Barclays Bank (Wedd Durlacher Mordaunt/de Zoete & Bevan). Union Discount. National Westminster (Bisgood Bishop/Fielding Newson Smith). Union Bank of Switzerland (Phillips and Drew). Chase Manhattan (Simon & Coates/Laurie Milbank). Morgan Grenfell (Pinchin Denny/Pember & Boyle). Hill Samuel (Wood Mackenzie). Royal Bank of Canada's Orion Royal Bank (Kitcat & Aitken). Shearson Lehman/American Express (L. Messel). Baring Brothers (Wilson & Watford). Cater Allen. Drexel Burnham Lambert. Merrill Lynch. Lloyds Bank. Bankers Trust. Goldman Sachs.

Names in brackets are the British securities firms in which stakes have been taken, with the exception of Gerrard and National.

Reform plan for wage councils

By Peter Riddell, Political Editor

WAGES COUNCILS, which set pay rates for 2.75m workers, are likely to be retained in a modified form after a lengthy Whitehall debate.

The Government's employment White Paper (policy document), expected within the next month, is expected to recommend that the councils should be reformed rather than demolished. This will be coupled with a series of other proposals to boost youth training and employment opportunities for the long-term unemployed.

The main change affecting Wages Councils is likely to be the exclusion of young people, aged 18 or less, from their remit. This fits in with the Government's general desire for increased flexibility in the labour market for young people by removing the obstacles to employment creation, for example by the setting of minimum wage rates.

One reason why ministers seem set to retain the councils is that the Auld Report, which recommended the removal of restrictions on shop opening hours in England and Wales, also called for the continuation of Wages Councils in the retailing sector.

Commons to debate shop opening hours

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A PARLIAMENTARY debate on changing the law to allow all shops to open legally on a Sunday is expected to be held by MPs before the Easter recess.

The debate will make clear the Government's commitment to ending restrictions on shop opening hours and pave the way for legislation to be introduced in parliament in the autumn.

The Government's determination to implement in full the recommendations of the Auld committee's report into shop opening hours – which called for the abolition of all controls – is expected to face stiff opposition in parliament. Opponents of the committee's findings include religious groups, Labour MPs sponsored by Usdaw, the shopworkers' union, and backbench Conservative MPs concerned with the plight of small retailers.

These opposition groups are united in opposing abolition of all laws on shop hours, although they have different views on how the present restrictions should be reformed.

Usdaw estimates that the effect of abolition of controls on opening hours could see the loss of between 120,000 and 200,000 jobs from retailing. The issue is likely to be the focus of the union's conference next month.

Large retailers which are in favour of reform, such as Woolworth and Habitat/Mothercare, believe that the impact on jobs will be far less than the Usdaw estimates. They point to the experience of Sunday trading in Sweden and the U.S. to support their argument that longer shop opening hours do not damage retailers.

If the Government goes ahead with legislation in the autumn to allow Sunday trading, it is likely that shops would not be able to trade freely before summer 1986 at the earliest.

State puts up £800,000 for Ulster jobs rescue

BY OUR NORTHERN IRELAND CORRESPONDENT

THE GOVERNMENT has agreed to put £800,000 towards a rescue plan which will save 130 jobs at the former Molins Tobacco Machinery plant near Londonderry, in Northern Ireland.

Molins announced the closure of the factory, with the loss of 440 jobs, in October when it decided to concentrate production of spare parts at its Peterborough, Cambridgeshire, plant.

The Government aid will help establish a new company, Maydown Precision Engineering, which was proposed by the workforce with the help of local businessmen and the Foyle Development Organisation, Londonderry's enterprise agency.

Dr Rhodes Boyson, the Northern Ireland Industry Minister, yesterday approved the rescue deal subject to the promoters subscribing £200,000 in share capital and raising a further £200,000 of bank loans. Workers at the factory have pledged their redundancy payments to the venture.

● Dr Boyson has supported £25m development proposals which could bring about a resurgence of Northern Ireland's flax growing and linen industries.

A task force set up by the Industrial Development Board produced a strategy to encourage the industry to expand and add to the 6,400 jobs already dependent on linen making.

Consumer credit rises to record levels

BY PHILIP STEPHENS

CONSUMER CREDIT business in Britain reached record levels in January as consumers took advantage of cheap credit from retailers and finance houses before the sharp rise in interest rates.

The Department of Trade and Industry said yesterday that new loans advanced by retailers, finance houses and other specialist credit organisations rose to an all-time high of £1.16bn during the month. That was nearly 20 per cent higher than in December and compared with a previous record high of £1.01bn in May of last year.

The figures confirm a strong underlying upward trend in consumer credit since the autumn of last year. In the three months to January new loans rose by 10 per cent compared with the previous three-month period.

Part of the explanation for the January rise, however, is found in the fact that the organisations covered by the data did not react immediately to the general rise in interest rates.

Although the banks raised their base lending rates by a total of 4½ percentage points to 14 per cent, retailers and finance houses did not adjust their charges until the beginning of February.

The general expectation among economists is that the higher level of borrowing costs and the subsequent rise in mortgage rates will depress retail spending and credit demand over the coming months.

New credit business in January is also likely to have been given a once-and-for-all boost by a range of promotions being offered by car manufacturers. Loans for car purchase showed the highest increase during the month as consumers took advantage of special low interest rate and other incentives.

The department said that total credit outstanding at the end of January totalled £17.1bn; 17 per cent higher than a year earlier. In separate statistics the department confirmed a sharp fall in the volume of retail sales in January from the record levels seen the previous month. The index of retail sales fell from 117 to 112.8 between the two months.

Officials said, however, that the fall may not represent any change in the underlying trend of sales because of the difficulties of making seasonal adjustments during the Christmas period.

UK NEWS

Pits prepare for return to work

Unions draw lessons from coal stoppage

BY PHILIP BASSETT, LABOUR CORRESPONDENT

TRADE UNION leaders were mostly unhappy yesterday that the miners' strike had ended without agreement; but most of them recognised that there was little else that the leadership of the National Union of Mineworkers (NUM) could have done.

Left-wing union leaders placed blame for the dispute on the Government, while those on the right were more openly critical of the tactics of the NUM and of Mr Arthur Scargill, its president.

Mr Jack Eccles, Trades Union Congress (TUC) chairman, called on the NUM leadership to recognise now that it had to represent the majority of the union which returned to work, and called on the NUM to seek urgent talks with the National Coal Board (NCB) to reach some agreed settlement.

He insisted that the TUC leadership had done all it could for the miners, but said "the members will make up their own minds."

Mr Bill Sirs, general secretary of the Iron and Steel Trades Confederation when it refused actively to support the NUM, said: "It is sensible for them to go back on the basis that they have." He thought the agreement on pit closures by the pit supervisors' union, Nacods, was "quite a good one."

Mr Rodney Bickerstaffe, of the public employees' union Nupe, said: "I am disappointed because there is no negotiated settlement."

Mr Alec Smith, of the tailors' and garment workers', said returning without an agreement was "a good strategy. It allows the NUM to reserve their position, and to develop a strategy for dealing with closures at local level."

Mr John Morton, of the Musicians' Union, hoped there would be no recriminations, particularly against the TUC, since if there were they would be both "fruitless and inaccurate." The miners "had taken the only course open to them."

Mr Jim Slater, of the National Union of Seamen, said he thought the strike had been worth it, because "to struggle for the right thing is not wrong."

Mr Eric Hammond, of the electricians' union EETPU, who gave a warning last September at the TUC Congress that the miners would not be supported, said: "I am glad it is over – but I am sorry to have been proven right about the course of events."

Mr John Lyons, of the Engineers' and Managers' Association, said: "The Scargill alternative strategy has failed, and in the light of that, most people will be looking for a more constructive attitude from the trade union movement."

Mr Roy Grantham, of the white-collar union Apex, said: "There will be arguments for decades over the miners – but the people who let down the miners were their leaders." Mr Ken Gill, of TASS, the white-collar section of the engineering union, said: "The miners have established something on a level that has not happened before on jobs and communities."

Mr Ron Todd, of the Transport and General Workers' Union, said: "It is a sad day for the trade union movement," although he claimed that it was not necessarily a setback for the unions if they responded to it constructively.

Mr Alan Tuffin, of the Union of Communication Workers, said: "The miners' strike has taught us that we must be much clearer in differentiating between disputes with the employer and those with the Government. The right way to change the Government is through the ballot box."

Brenda Dean, of the print union Sogat, said her union would carry on as normal. "The miners' strike will have no effect on our wage bargaining. I do not accept in this era of new technology that the miners are the storm troopers of the movement – I have never thought that."

Mr Tony Christopher, of the tax staffs' IRSF, said: "I hope now the coal board will begin to conduct itself with some magnanimity."

Coal board to consult miners directly

By Ian Hargreaves

LEADERS of the National Coal Board (NCB) will follow a policy of consulting directly with the industry's workforce rather than following traditional procedures, Mr Ian MacGregor, the board chairman, said yesterday.

In his first public appearance since Sunday's vote to end the pit strike, Mr MacGregor delivered a low-key speech to the Coal Industry Society. He asked for customer forbearance if it took time for the NCB to return to full output, since it would take some weeks to "re-indoctrinate our workforce in safe productions."

The strike, he said, had proved the coal industry's ability to surmount difficulties. "The only time you find out how strong and capable people are is when you go through a difficult period."

Mr MacGregor kept to the line agreed between the Government and the board that there should be no talk of victory over the National Union of Mineworkers (NUM). "There will be no recriminations as people return to work. This is no time to talk of victory or defeat."

He made it clear, however, that he did not expect business as usual in relations with the NUM. He hoped to see in the NUM "a representative leadership who will truly listen to the views of the members of the union and act in accordance with the interests of all of their members."

There was a chance this would happen, he said, if the NUM drew lessons from the behaviour of miners who had worked throughout the strike. But the union should also expect management to make use of the knowledge it had gained about the workforce "through more intimate contact than ever before."

Mr MacGregor said: "These relationships will continue when we return to normal working. Consultation and co-operation will be carried out in the true meaning of the word, rather than by lip-service to familiar procedures and methods of working. The management of this industry have learned to communicate directly with the people under their control."

He said that the medium and longer-term prospects of the coal industry might be strengthened by the strike, since many customers had continued to be supplied by virtue of the efforts of working miners and the UK distributors. With sterling depressed against the dollar and the prospect of better working practices, change could now run in the industry's favour.

There were, he said, good opportunities to expand coal sales to industry from 9m tonnes a year to 14-15m tonnes a year during the next five years.

The NCB also had plans to promote domestic use of coal and the board would "do everything to recoup the losses to the gas industry made at our expense during the last year."

Litigation against NUM likely to continue for many months

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE PIT STRIKE may have effectively ended but the litigation lingers on.

The funds of the National Union of Mineworkers (NUM) are still under the control of the High Court-appointed sequestrators and receiver. They will remain so until the union's leaders purge the contempt that led to a £200,000 fine. The union refused to pay the fine imposed for defying injunctions not to describe the strike as official.

Moves by anti-strike miners to have the leadership ordered personally to repay the fine to union funds, to reimburse area funds used to finance illegal picketing, and to pay damages for an alleged conspiracy to assault working miners, have still to come to trial.

Attempts by the union or its areas to discipline miners who disobeyed the strike call and crossed picket lines are likely to be vigorously resisted in the courts.

At the weekend it emerged that working miners intended launching a new action, the ultimate aim of which would be to oust Mr Arthur Scargill as NUM president.

The outstanding litigation could occupy the attention of the courts and continue to exacerbate the divisions and tensions within the union for many months to come.

The cost to NUM funds so far has been estimated at about £800,000. That figure could be closer to £1m by the time the law has finally run its course.

How many of the cases will be pursued to final judgment will be a matter for the working miners and their lawyers. A straw poll of some of the solicitors involved suggests that some claims at least will be fought to a finish.

A key factor will be the union's attitude to disciplinary action. If it goes ahead with plans to expel or suspend miners it will almost certainly guarantee that the courts will continue to be involved in its affairs.

On the other hand, were the union to agree to an amnesty, the working miners might feel that the difficult but necessary task of healing the wounds that the strike has inflicted on the union might best be served by letting the rest of the litigation lapse.

● The South Wales area of the NUM is to ask the High Court to give back control of its £2.7m assets, frozen since August because of the area's contempt of court.

The union's solicitors said yesterday that it hoped to go to court later this week to purge its contempt and have the sequestration order lifted.

South Wales lost control of its assets when it failed to pay a £50,000 contempt fine imposed in July.

It had defied orders made in April to stop "blacking" lorries owned by two hauliers – Richard Read (Transport) and George M. Read – carrying coke from the Port Talbot works of the British Steel Corporation. The companies claimed that their drivers had been stoned, abused and intimidated by pickets.

The union took no part in either the original proceedings or the contempt hearing.

Two weeks after the sequestration writs were issued the sequestrators – four partners in City of London accountants Price Waterhouse – reported to the court that they had seized about £700,000 of the union's assets, out of which the fine was paid.

The balance of the seized funds and the rest of the union's assets have since remained frozen.

The Read companies, which still have a damages claim against the union outstanding, will return to court today with a new legal action against South Wales.

Their complaint is that, because they are on a union blacklist, they have been banned from the premises of Maxiheat, a company making processed fuels at Llantrisant, near Cardiff. The companies will seek temporary injunctions and, in due course, make fresh damages claims.

Today's hearing is likely to be adjourned to give the union time to prepare its defence.

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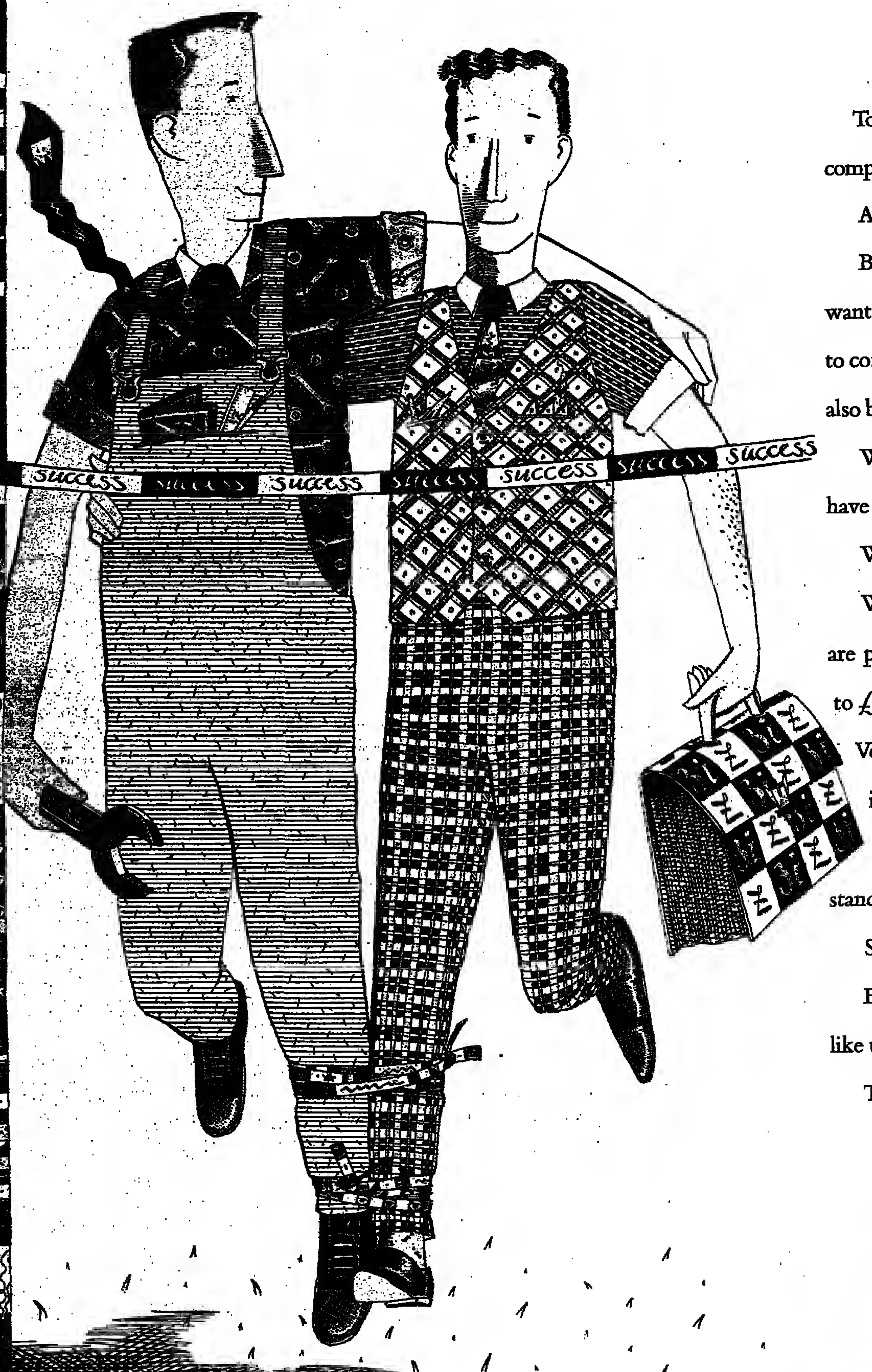

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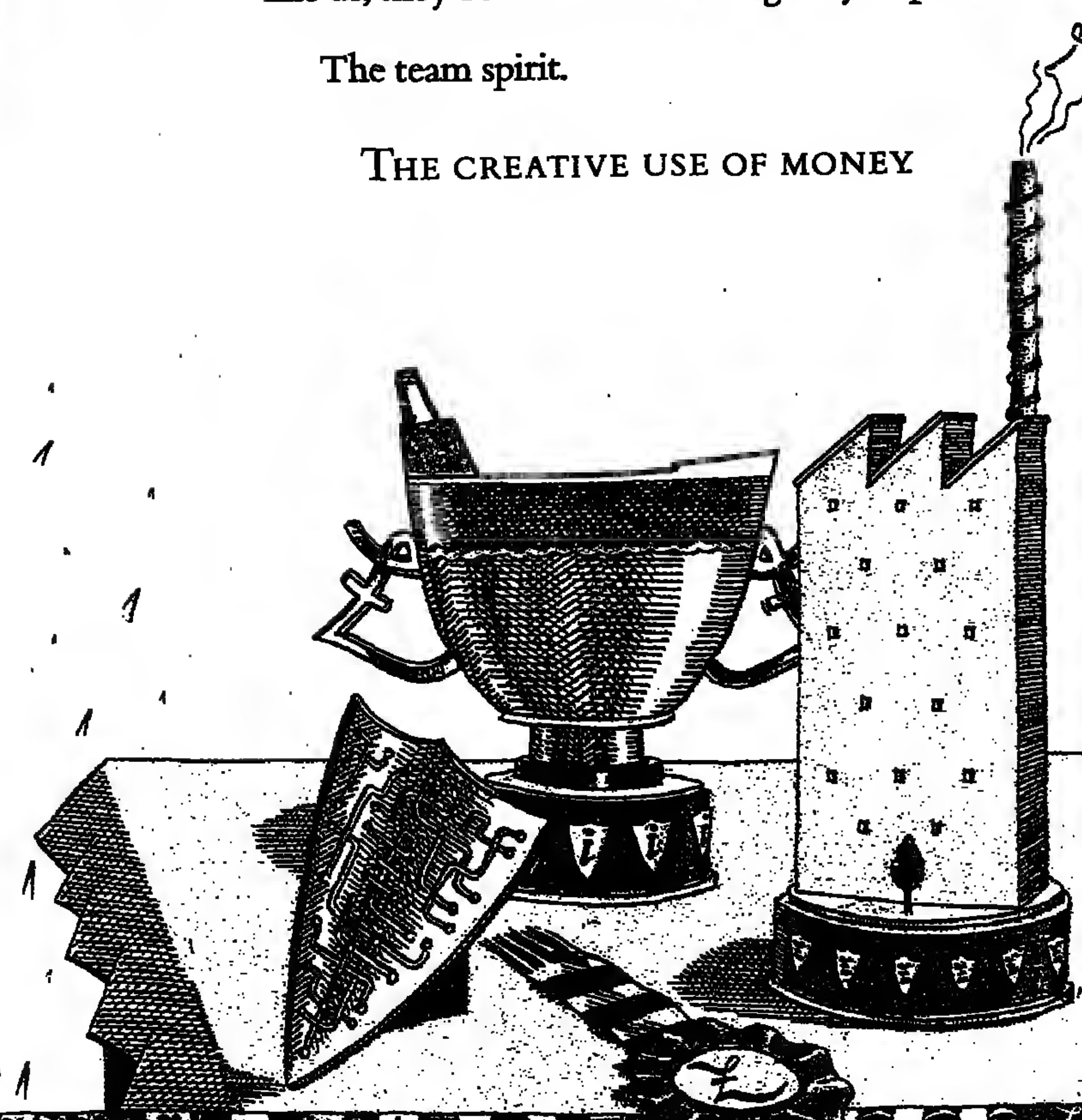

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TECHNOLOGY

EDITED BY ALAN CANE

BIOTECHNOLOGY IN FRANCE

Elf invests in drugs for dwarfs, bugs for oil

BY DAVID MARSH IN PARIS

A SPACE station-like building near Toulouse in S.W. France which takes part of its architectural inspiration from a nearby Jacobin monastery is at the centre of revolutionary French efforts to break down the distinctions between fundamental and applied research in biotechnology.

The new Labège complex, has been set up by French oil giant Elf Aquitaine to bring together key elements of the group's biotechnology efforts.

The Labège laboratory, which has cost around FFr 100m to build and has an annual operating budget of around the same amount, employs about 80 researchers and technicians. The number is scheduled to grow perhaps to 400 over the next five years.

Elf and its 60 per cent-owned pharmaceuticals subsidiary Sanofi, which run the centre jointly, decided to devote considerable resources to biotechnology as part of Frances' efforts to catch up in this sector compared with thrusting U.S. companies.

Elf announced at the end of *last year* a *reorganisation of its* group biotechnology activities, making up sales of about FFr 3.5bn in an expanding range of areas running from agricultural and food products to glues, cosmetics and plastics.

The Labège complex, which has been in operation for about a year but was formally opened in January by M Hubert Curien, of the Research and Technology Ministry, represents a crucial part of the overall strategy.

In contrast to other biotechnology research establishments in France which concentrate on specific fields, work at Labège covers the gamut of Elf's range of interests. It carries out genetic engineering research for development of pharmaceuticals and aromas for food and perfumes, as well as experiments on in vitro plant multiplication (concentrating on crops like maize, rapeseed and sunflower) and on harnessing micro-organisms for oil prospection and recovery in Elf's mainstream industrial business.

Out of 18 PhD level researchers making up the *centre's molecular biology team*, 10 are from outside France — mainly Americans, but also including peopla from Britain, Argentina and the Netherlands.

The aim, says M Andre Joyeaux, tha centre's director, is to carry out research "totally integrated" with the industrial and commercial sides of Elf's bio business. This is accomplished by frequent interchanges between research staff and Sanofi's top management, as well as with executives from the group's other operating arms such as Rustica in seeds, Rousselot in gelatines and Ceca in colloids and food texturisers.

Sanofi has also recently increased the international scope of its food additives business with tha acquisition of Dairyland Food Laboratories of *the U.S., specialised in milk* products, which makes considerable usa of bio-techniques.

The centre is equipped with pilot fermentation and purification plants to assist in scaling up research techniques to the pre-industrial level. The fermentation plant has a production capacity of 300 litres in 24 hours. "*A lot of* laboratory processes collapse at the industrial stage," says M Joyeaux. "We have the same equipment here that would be used in a factory. If we discovered a process for use industrially, we would take part in developing tha plant."

The centre also prides itself on its outside contacts—part of general efforts in France to break down traditional barriers between diverse research institutions. It works in collaboration not only with French bodies, such as the national science institution CNRS, agricultural institute INRA and medical organisation Inserm, but also with researchers from the Californian Salk Institute, the Massachusetts Institute of Technology, the Kyoto centre in Japan and the Cambridge Plant Breeding Institute.

One of the most promising areas of the centre's pharmaceuticals-linked research is in the production of human growth hormone by general recombination techniques using cells from monkeys' kidneys. The product, now being mada at the pilot manufacturing stage, is identical to the hormone secreted naturally from the hypophysis gland.

Commercial introduction could take place in 18 months or two years, says M Joyeaux, following clinical test procedures.

Elf and Sanofi believe their product is superior to growth hormone bio-synthesised by other companies (including Genentech). This competing hormone contains an extra amino acid, methionine, compared with the natural product which could lower the body's tolerance for therapeutic uses.

Growth hormone has great clinical potential as significant quantities are needed to treat dwarfs—using a natural product which at present costs around $10 per milligramme. Other applications are in the regeneration of tissues after surgical operations, treatment of burn cases, and speeding up growth of premature babies or, generally, children suffering from malnutrition.

Another field where the centre also hopes for clear commercial results is in production of interleukin-2 (IL-2) with potential for making good deficiencies in the body's resistance to disease.

Using genetic techniques based on cloning of cells from animals, Sanofi has made breakthroughs on producing IL-2 *in vitro*. Roussell-Uclaf, one of the other big French pharmaceuticals groups, is also studying IL-2, based on production from bacteria, in combination with the Strasbourg-based genetic engineering firm Transgène (in which Elf has a 14.4 per cent stake).

Sanofi, which again believes its product has greater potential because it is structurally identical to that found in nature, *signed a* research accord with Roussel-Uclaf last year to collaborate on IL-2 research.

Despite the promising research results, however, IL-2 is still a long way from the marketplace. If tests go well M Joyeaux believes it could be introduced commercially in about three years time.

Bank hires scientist to look after its interest in life portfolios

AS A sign that the French financial world is becoming more interested in biotechnology, the Banque Nationale de Paris, France's largest bank, has hired a research scientist to look after its expanding portfolio of participations in bio-companies.

M Philippe Geynet joined Banexi, BNP's investment banking arm, two years ago from the Centre National de la Recherche Scientifique (CNRS), the national research organisation. He is now in charge of about FFr 10m worth of BNP money invested in five small French firms and two U.S. companies involved in biotechnology.

Overall, Banexi has stakes in around a dozen companies in the biotechnology, health and pharmaceutical fields, out of its total participations in roughly 90 to 100 small and medium French businesses.

M Geynet joined BNP when the bank was about to make its first biotechnology foray through a stake in stake-Immunotech. This company —in which BNP now has a 7.5 per cent was set up with support from medical research institute Inserm and other French institutions to produce monoclonal antibodies for cancer treatment.

He quickly put his science doctorate to good use. "The bank realised it needed someone who understood the language . . . You have to be able to talk about technicalities with people (in the bio-business). The bank can play an accompanying role only if it enjoys the complete confidence of the company concerned. The small bio-company boss needs to talk to his banker not just about finance and capital but also to discuss his ideas about specific problems."

Other BNP biotechnology participations — all accomplished over the last two years — include minority stakes in Bio-Europe, which specialises in bio-catalysis and enzyme work connected with the agro-food industry; Clonatech, a recently-established immunology firm; and Anda Biologicals, a Strasbourg company set up by a married couple of scientists.

BNP also has a minority stake in Blanc-Barberet, an enterprising company on tha Cote d'Azur which has now become a world champion in cultivation of test-tube carnations using techniques pioneered by the INRA agricultural institute. And, in the U.S., BNP has two small participations—in the fraction of a per cent range—in Californian genetic plant breeders Calgene and Maryland-based bio-processing company Purification Engineering. Calgene already has links with Rhone-Poulenc, the French state owned chemicals group, and is considering a joint venture in France.

> Overall, Banexi has stakes in around one dozen sectors in the biotechnology health and pharmaceutical fields.........

A U.S. foothold is vital, says M Geynet, "because the immense majority of things happening in the world in biotechnology are taking place either in the U.S. or Japan. Any company which starts in biotechnology in France has quickly to tackle the U.S. market too."

BNP's role in the business is not so much designed to bring off "financial coups" —though it naturally enough hopes to make an *eventual* profit on its biotechnology stakes. Rather, M Geynet says, the decisive reason is that "BNP has to have a stake in the best industrial businesses of the future. It's important not just for BNP, the future industrial landscape of France is at stake."

INSULATION MATERIALS

Tank lagging for process control

THE MAN whom millions of beer drinkers have to thank for a key part in the production of Guinness has turned his hand to a different area—manufacture of a new form of lagging material for tanks in the chemical and food industries.

Dr Tom Carroll, 63, who last year left his job as director of brewing at Guinness' main brewery in west London, has turned to production of a plastics-based material called Sealsulation that insulates large vats.

Dr Carroll worked on the early development of Sealsulation during his tima at Guinness, for which ha worked since 1952. He says that the beer group has agreed to turn over to him patent rights on the material, which is mada by C and K Extrusions, a small plastics company in Tonbridge, Kent. Dr Carroll works as sales consultant for the company.

According to Dr Carroll, tha substance is more suitable on grounds of hygiene for lagging tanks (used for fermentation or other chemical reactions than conventional materials such as cork, glass wool or fabric.

Conventionally, such substances are fastened to the outside of vats or pipes to keep them hot or cold. But spillages can cause the materials to rot or otherwise degrade.

Sealsulation comprises hollow strips of PVC or polypropylene that are filled with small balls of mica, a minaral that is *inert* and acts as an insulating medium.

Each strip, about 10 cm wide, can be laid next to each other to form a panel that covers tha exterior of a cylindrical vessel. The material is pliable and so can take up the shape of tanks of different sizes. The plastic envelopa of Sealsulation is covered with a layer of foil that can be wiped clean.

Sealsulation sells for about £55 a sq metre. To lag a typical large tank in the chemical or food-processing industry would cost £1,500 to £3,000—which is, according to Dr Carroll, comparable to the cost of lagging such vessels by conventional techniques.

BRINGING IDEAS TO INDUSTRY

Technology transfer

BIRMINGHAM and Newcastle upon Tyne are to set up later this year their own technology-transfer units to make local industries more aware of new techniques such as automation and advances in materials.

According to local-authority planners in these cities, such units, which will draw on tha expertise of universities and other research institutions around Britain, can play a part in revitalising companies in areas such as engineering and metallurgy.

Birmingham's centre will be based on Aston University's science park. West Midlands County Council is to put up *£400,000 to cover* the costs of the unit for two years.

Staff at the centre will liase with local companies to put them in touch with researchers, not just from local universities such as Aston but from researchers organisations run by big companies which may developed new techniques for which they have no immediate use.

Two engineers from Aston University are to be seconded to the unit for a limited period.

The county council's economic *development department* is also running a series of seminars aimed at people from local industries to tell them of new ideas in science and technology.

In Newcastle, three academic organisations are behind the moves to set up the new centre. Newcastle's university and polytechnic, together with Sunderland Polytechnic, will put forward ideas that could be of use to manufacturing companies in the neighbourhood.

Staff at the centre, which is financed by £500,000 from local authorities and the European Commission's regional development *fund, will act as brokers* to arrange meetings between companies in specific areas and academics who are doing work of relevance to them.

LOCAL AREA NETWORKS FOR MICROCOMPUTERS

A step towards standards

INTEL, the U.S. electronics component company, is trying to break down the barriers of communications between computers. It has announced a computer network which will link different makes of microcomputers within a building complex.

Initially, microcomputers *based on three different operating* systems—Ms Dos, Xenix and IRMX—will be able to use Opennet, as Intel has dubbed tha network. It hopes, however, that other operating systems will join the network as it is revealing its protocols—the codes by which communications can work between computers—to any interestad company.

The Intel announcement comes at a time when the market for local area networks is fragmented by a number of proprietary systems. Until now no protocols were available for use by a number of computer manufacturers. Intel's network is based on an existing local area network called Ethernet. It is one of the most widely used of all the networks with about 200 suppliers and 10,000 networks installed.

Computer giant IBM is also supporting the development despite its commitment to its own form of network. It helped *develop the protocols for linking* IBM personal computers into Opennet. Microsoft, the U.S. software company, was also closely involvad with Intel.

Ona of the hindrances to connecting different microcomputers together has been the lack of international standards. Tha International Standards Organisation has developed a model for standardisation called Open Systems Interconnection. It sees the problem in terms of layers, *rather like* thosa of an onion. Each layer specifies a particular set of functions which are necessary within a computer to communicate with another.

The first two layers—the outer skins of the onion—describe the physical and electrical features of the networks and how data travels on the link. The next two layers set up the message delivery scheme. Layers five to seven *provide the way to name* the stations on the network, layer six translates files from one format to another while the final layer defines specific services such as electronic mail.

Despite proposals for standards, and some agreement about levels one to four, the higher layers of the network are still not agreed as regards standards. Intel hopes that with its family of hardware and software products that cover all *levels of* the *OSI model, manufacturers* will be tempted to follow its route.

ELAINE WILLIAMS

Office

Computer guide

THE LATEST edition of *Wharton's* Complete Office Automation Guide reveals that spending on systems and equipment reached almost *£3m in* 1984, representing increases of 60 per cent in unit sales and 26 per cent in revenues.

Wharton sees these *figures* as a problem for manufacturers in that funding such growth at a time of *falling prices* is proving a great financial burden for many companies.

Basically the book is a tabular listing of the characteristics of some 750 equipments ranging from electronic typewriters to personal business computers in 13 categories. The listings include address and telephone number and the most recent financial results of the 125 suppliers listed. A one or two page *analysis appears before* each of the sections.

Wharton Information Systems has established Olivetti ahead of Triumph Adler and Olympia in the supply of electronic typewriters. The Italian company is also second behind Wang but ahead of IBM in supplying word processors.

More about the guide, which costs £30, on 01-940 7366.

Automation

Experience of machine vision

A NEW book from IFS (Publications) of Bradford brings together in one volume the experience of several leading UK workers in the field of machine vision.

Edited by Bruce Batchelor of *UWIST, company director* Denys Hill and David Hodgson a University of Birmingham lecturer, the book is titled Automated Visual Inspection and covers the subject in 19 well illustrated chapters.

Application areas dealt with include defect detection, surface examination, measurement, counting, grading, sorting and "posture recognition" of production line components for subsequent robot handling.

The book includes 31 case studies, but few locations or companies are mentioned and the descriptions are sometimes rather brief. Most aspects of the subject are covered, and there are chapters on economic aspects and industrial relations, placed surprisingly early in the book.

Measuring 234 x 156 mm, the book has 550 pages and costs £35 in the UK. More on 0234 853605.

UK NEWS

A war of words and ads in Birmingham

By Sue Cameron

THE taxi driver at Birmingham's New Street station didn't seem to know there was a war on.

"The Daily News?" he asked, in the kind of puzzled voice that clearly showed he had never heard of it. "Don't you mean the Post and Mail?"

His question would have brought cold comfort to Mr Chris Bullivant, founding father of the Daily News, had he been around to hear it. For the News, launched last October as Britain's first ever free daily, is locked in e bitter battle with the centenarian Birmingham Post and Mail group.

The spoils they are fighting for are revenue from local and national advertisers. The weapons are cut-price advertising rates, rumour, innuendo, surveys end occasional open challenges on the printed page. But while the Post and Mail is standing gallantly alone, the News has a powerful ally in the form of its substantial minority stakeholder, Reed International, the paper and publishing group. The News, moreover, is fighting on two fronts: as well as taking the offensive against BPM, it knows it must also establish itself as the bridgehead for viabla, free daily newspepers in the United Kingdom.

Hostilities began last October when the Daily News was started with much fanfare about its being Britain's first free daily paper. The News was to be distributed freo to 300,000 households in Birmingham on four mornings a week, Tuesdays to Fridaya inclusive. The aim was a 50/50 mix of editorial and advertising. Ad rates were to be at least £1 cheaper per centimetre than those of BPM. The format was to be tabloid and tha style that of a pop paper with the accent on human interest and showbiz stories.

The Daily News camp maintains that BPM had had a monopoly on daily newspaper advertising in Birmingham for far too long. But the News insists that it is "only" looking for a 10 to 15 per cent share of the £25m to £30m worth of advertising business which it reckons is available in the Birmingham area each year. It adds that BPM is welcome to the other 85 per cent and that there should be room for both of them "if BPM is sensible."

The evidence to date suggests that the News has at least succeeded in putting BPM on the defensive:

- BPM admits that the launch of the News forced it to accelerate existing plans to turn the Birmingham Post, its comparatively upmarket morning paper, from a broadsheet into a tabloid.
- BPM asked the Audit Bureau of Circulation if it could combine the sales figures of its Evening Mail with those of the Post to give a joint circulation rating. The request has apparently been refused. This means BPM cannot offer advertisers a circulation that tops the magic 300,000 figure—tha number of papers distributed free each day by the News.
- BPM admits that its circulation has dropped a further 2 to 3 per cent since the start-up of the News. Over the last 10 years sales of the Post have plummeted from around 63,000 a day to some 35,000, while those of the Mail have fallen from roughly 375,000 to 284,000.
- The Iliffe family, which has controlled BPM since the Second World War, has just bought the company into 100 per cent private ownership. BPM claims this has "nothing whatever to do with the News" and adds that it represents a "vote of confidence." Others believe the move, which has been referred to the Monopolies Commission, has been triggered by the need to eliminate dividend payments and put all resources into fighting off the News.
- BPM has announced plans to axe up to 300 jobs out of a total of 1,650—though it will consider alternative proposals designed to give an equivalent reduction in costs.

All of this suggests that BPM is worried. But over at the group's Colmore Circus headquarters, where it produces a number of free and paid-for weeklies as well as the Post and the Mail, there appears to be only disdain for the upstart Daily News. Executives decline to say exactly how long they think the News will last. But they seem confident that its demise is merely a matter of time.

Mr Tim Morris, chairman of BPM, will only concede that the Reed factor may enabla the News "to live a little longer" than the six months he originally expected.

The Reed fector is a key one. Reed International, whosa interests stretch from peper and publishing to paint and building products and whose turnovar topped £2bn in 1984, took a sizeable hnt undisclosed minority stake in the Daily News only a month after it was launched. Tho money Reed paid for its stake—that sum is also undisclosed—has been put into supporting and developing the News while three Reed directors recently joined the News Board.

BPM's Mr Morris still believes that tha Naws will be only a temporary phenomenon — even with a powerful hacker like Reed. "Nobody can tolerate a loss making operation indefinitely," Mr Morris says. "If the News goes on losing money, I think Reed will be forced to close it."

Currently the News is losing money but Mr Bullivant and Mr David Scott, editor of the News, stress that they never expected to make money immediately. They say they hava an 18-month business plan and add that they are on target to hreak even by the ond of this year or oarly in 1986. They admit that they havo not yet achieved their target of a 50/50 advertising and editorial mix — but they insist they are delighted at progress so far.

All may be fair in lova and war, but Messrs Bullivant and Scott do seem to have occasionally exaggerated the progress they are making. Both have talked airily about how the News has come very close to achieving its 50 per cent advertising target on Fridays — the paper's hest day — and how the figure is well over 40 per cent in the Thursday editions.

The sappers at BPM's Colmore Circus have hed their rulers ont. They havo measured and logged every centimetre of advertising in every edition of the News since its launch last October. Their figures show that tho advertising content of tho Nows has only once topped 40 per cent on a Friday and that the highest proportion of advertising it has ever had was 44 per cent — on a Thursday, back in November. Weekly averages for tho Daily News advertising content hover round the 30 per cent mark.

Mr Bullivant quickly came hack on the defensive, with a three pronged attack. BPM, he said, had not counted the News' own house ads although those were always meant to bo included in the 50 per cent target.

And it is true that if all advortisements—not just those that are paid for—are taken into account the News did manage a 49.4 per eent advertising content during one week in November. The usual figure for Fridays is still around 40 per cent.

Mr Bullivant clearly finds grounds for optimism in the Colmore Circus intolligence figures. "I am very flattered that they are taking so much troublo to monitor us," he said in a voice which suggested BPM must be even more worried about the News than he had hoped.

The question of advertising rates is one on which both sides are also prepared to discourse et length—but only ebout each other's charges and only on an unattributable basis. If half of what they say they have heard is true, their battle is indeed a bloody one.

The advertisers themselves are also none too keen to go on tho record—chiefly for fear of reprisals. Yet one said tho size of the discounts given varied but could ho as high as 25 per cent in a slack period.

Rackham's, one of Birmingham's leading dopartment stores and much prized as an advertiser hy both the News and BPM, said cautiously that it had found the increase in competition "helpful." The store added that tho existence of two daily papers meant a wider choice for advertisers and also gave them the cnance to reach a wider audience. It had also helped in securing better positions for advertisements that were placed.

Costs and profitability — or the lack of it—are other topics which both BPM and the Daily News find absorbing. But again, they prefer to discuss each othor's rather than their own.

Costs at BPM, which ia a much bigger operation than the News and which has its own printing works, are running at around £750,000 a week. Tho £750,000 figure includes tha costs of the group'a weeklies—BPM insists that it is too difficult to isolate the costs of tho Mail and the Post alone. Mr Morris edmits that these costs are too high and adds that efforts are being made to reduce thom.

Pre-tax profits for BPM Holdings, which includes all tho group's publishing activities plus its retailing and paper and packaging operations, woro £3.3m on a turnover of £96.8m in the year ending Jnne 30 1984. The newspaper publishing side contributed £2.3m towards the total. In the same year BPM enjoyed a £2.7m windfall from the sale of Reuters shares but almost £2m of this went on redundancy payments and the cost of deferred taxation arising from changes in the law.

Observers of the regional newspaper scene say that few come anywhere near the 15 per cent return on turnover thet most aim for. But one industry expert reckons that in a league table of performance, BPM would "probahly be in the third quartile."

The Daily News, which has no plant of its own and which is printed on a contract basis by Berrows Newspeper gronp, a Reed subsidiary, says it costs are under £100,000 a week. It declines to say how much money it is losing — although plenty of people ontside the company are ready and willing to give unattributahle guesstimates.

Substantially lower costs have been one of the key advantages that free newspapers have had over their oldor established, paid-for rivals. This year the total advertising revenue of free weeklies is expected to overtake that of the paid-for local weeklies.

The burning question in Birmingham is whether the same success can be achieved on a daily basis. Even among the freesheet fraternity some say thet what works brilliantly once a week will not turn in profits every day. Mr Ian Fletcher, chairman of the highly successful Yellow Advertiser Newspaper group which publishos over 1.3m frees a week, highlighted some problems at a business conference in London this winter.

Among these were the high cost of daily distribution and the need for a free daily to have a much higher editorial content than any of its weekly counterparts. Withont e large editorial content — 40 to 50 per cent — a daily paper would not be read and would not therefore attract advertisers. Mr Fletcher pointed out that successful free weeklies bad always taken a 25 per cent editorial/75 per cent advertising formula as the "commercially viable norm."

Back at the Daily News, Mr Bullivant fully accepts the 25/75 ratio as tha right one—for weekly frees. But he insists that free dailies are entirely different and that a 50/50 balance — once he achieves it —will work.

Maputo's battle for security and prosperity

By Anthony Robinson, recently in Mozambique

President Samora Machel

THE SLOGAN "Death to armed bandits" has replaced "Long live proletarian internationalism" on the upended red cube which serves both as traffic island and propaganda boarding at the end of Maputo's Avenue Mao Tse Tung.

It is the new catchword of a régime which is approaching 10 years of independence in a depressed and chastened mood after the dashing of the high hopes temporarily raised by the Nkomati accord with South Africa on March 16 *last year*.

From the Mozambican point of view, Nkomati has been a disaster. South Africa pledged *to end support for the Mozambican* Netional Resistance (MNR) and restore normal commercial and political links with Mozambique in return for the expulsion of African National Congress (ANC) activists from the country.

But the MNR has proved to be a hydra with many heads and, despite the official ending of clandestine support by South Africa, the security situation has deteriorated rapidly since Nkomati.

As the anniversary of the Nkomati accords approaches, the Frelimo Government headed by President Samora Machel is showing *clear signs* of having lost faith in co-operation with South Africa. Instead it is looking towards the U.S. and the international aid and financial institutions for support while looking anxiously over its shoulder lest warmer relations with Washington should alienate *its* backers in *Moscow*.

Given the propaganda advantages which South *Africa* reaped from the Nkomati eccord, neither Maputo nor Washington can understand why *the* South African government has not fulfilled its side of the bargain. After all, Nkomati was originally perceived as a diplometic triumph for South Africa, a rapprochement with its formerly hostile black neighbour which forced pnblic opinion worldwide to reconsider its assessment of South Africa's regional role.

The answer eppears to lie in the strength of internal opposition to President P. W. Botha's cautiously reformist path within the Afrikaaner - dominated bureaucracy and security epparatus and consequent *willingness* to turn a blind eye to the ectivities of ex-colonial and other interest groups both *within* and outside Sonth Africa.

Greater U.S. involvement in Mozambique—a country whose original Marxist-Leninist rhetoric and close ties with the Soviet bloc once raised hackles in Washington—has been highlighted by the recent decision to start a limited U.S. military aid programme and a four-day visit to Maputo by Mr Frank Wisner, e senior State Department *official*.

The military assistance is tiny—"non-lethal" *equipment* like uniforms and boots to the *tune of* around $1m and staff training in logistics for fewer than 10 Frelimo army officers in the U.S. But hitherto, Mozambique has relied almost exclusively on arms and training from the Soviet bloc—providing valuable harbour and airport facilities *to* the Soviets in exchange.

Washington's economic contribution is more substantial. Esso and Amoco are among other international *oil companies*, like Shell and BP, *which* are active in oil and gas exploration whila last month Mr Wisner signed an agreement to supply 40,000 tons of maize worth $15m, bringing to 110,000 tons the U.S. food aid to be supplied in the year to September 1985.

Although Portugal has been widely criticised *for its failure* to develop Mozambique during its 400-year *colonial* rule, the sad fact is that it did leave a *legacy of cities, roads*, railways, farms, ports and other infrastructure and that legacy has deteriorated massively since 1975. The process of decay—fuelled by the mass exodns *of* Portuguese, almost quixotic adherence to the UN embargo on Rhodesia, inexperience of the new rulers, and de-stabilisation by South Africa — has speeded up alarmingly over the last 10 months of stepped-up MNR activity.

The Government blames continuing clandestine support for the MNR from wealthy ex-colonials among the 600,000-strong South African Portuguese *community and in Portugal* itself as well as right-wing elements in West Germany, and support from Gulf oil states for the 3m-strong Moslems in the north of the country.

But the proliferation of armed bands also appears to be a consequence of drought and the general breakdown of order and communications over huge areas of the country.

Diplomats and aid officials, whose business took them into the disaffected areas before the upsurge in bandit activity confined them to Maputo, report that *some of the* banditry is also committed by former members of the Frelimo army who are ill-disciplined, unpaid, badly supplied, armed and hungry.

The Government characterises this kind of lawlessness as "social banditry" to distinguish it from the politically motivated and foreign-led activities of the MNR. But it is loathe to admit *that its own troops may also be* implicated in the banditry which is *sapping* its anthority and strength. This was strongly denied by General Sergio Vieira, the Minister of Security, in an interview.

The most dangerous area of all is the hundred or so kilometres between Maputo and the South African border. The alternately tarred and dirt road from Maputo to Komatipoort is lined by dense bush and pitted by tank tracks. Travelling in a mini-bus guarded by two jeeps full of armed soldiers and a T-54 tank, *I* passed at least 20 burnt-out trucks and cars, including the *Jaguar* car in which two British citizens were killed on January 13 only 12 kms from the South African border by road and three as the crow flies.

Off the main road, four tanks and two armoured personnel *carriers* were deployed guarding South African and Mozambican technicians repairing a blown-up electricity pylon in the disconsolate knowledge that two more pylons had been blown np further down the line that same week. Ten kilometres away, other troops in camouflage uniforms and carrying Kalashnikov assault rifles protected engineers lifting a new railway bridge girder. The bridge *was* blown *at the New* Year. It is only seven kms from the *frontier*.

The cumulative effect of MNR ectivity on an already depressed and drought-ridden economy has been devastating. Not only are the roads, railways and *power lines to* Maputo *and its* port subject to frequent attack, but the rail lines from Maputo and Beira to Zimbabwe are also ont of action.

The Cahora Bassa hydro-electric project, has not sent any power to South Africa since October 1983 because 27 plyons have been blowo up some 500 kms from the dam. Road traffic between tthe major cities and towns is so dangerous that embassies and aid organisations bave prohibited their staff to travel except by air or in certain areas with military escort.

Millions of dollars of emergency food aid are unable to be *distributed* to the officially estimated 2.5m needy in the six worst affected drought provinces and food warehouses are bare of stocks in Inbambane and other regional centres.

Most aid-assisted projects in the provinces are paralysed. These include an ambitious French and Italian-funded programme to build over 1,500 kms of new power lines in the northern provinces.

A critical shortage of foreign exchange has cut back the import of moch needed spare parts, raw materials, oil, food and consumer goods needed to stimulate production, provide incentives and re-start the economic cycle in both agriculture and industry.

The sharp devalnation of the South African rand, furthermore, has reduced the dollar value of port revenues and migrant worker remittances *while South African shippers* complain that et present exchange rates, it is cheaper to ship through Durban and Port Elizabeth than Maputo.

The insecurity factor has also made it more difficult to export traditional hard currency earners like cashew nuts, timber, and cotton and dashed hopes of a revival in the ooce flourishing tourist trade.

The Paris club agreed last October to reschedule part of Mozambique's estimated $1.6bn hard currency debt (plus another $700m or so to Comecon) and the World Bank is expected to agree a $30-50m loan in June. An IMF team is expected in March and Mozambique's recent adherence to the Loma convention should be a source of future *EEC assistance*.

The plight of Mozamblque *has also touched the* heartstrings of a multitude of non-*governmental* aid organisations.

Despite the enormous problems facing the Government, bowever, there is a curious lack of tension in Maputo and little sense of a city besieged.

The MNR has proved its capacity to disrupt *communications* and isolate the cities. But *it appears to have made* little effort to infiltrate the cities and its still rather shadowy leaders have made little effort to present themselves as a credible alternative government.

Diplomats and other foreign observers in Mapnto believe that President Samora Machel's personal prestige and that of the Frelimo government has been *undermined* by the *failure* of Nkomati either to improve *the security situation* or remotely satisfy the popular expectations of greater prosperity.

The Nkomati approach was *only* reluctantly agreed to by the more ideological Moscow-line figures in the Cabinet like Mr Marcellino dos Santos and Mr Armando Gnebuza, who *represents the black nationalist* faction within the multi-racial *government*. The Soviet Ambassador, Mr Yuri Fadeevich Sepeliov, has underlined Soviet nphappiness with the Nkomati approach, and the more pragmatic line taken since the fourth congress, by muttering under *his* breath about the recent military aid offer from Washington *as Mozambique's* "second Nkomati."

President Machel cannot afford to ignore such muttering—*the Soviet Union supplies* two thirds of Mozambique'e oil, most of its military equipment and advisers. In recent months East Germany, Bulgaria and the Soviet Union itself have also stepped up supplies of frozen fish and consumer goods to counter the growing feeling that the Soviet bloc is good for guns bnt not for anything else.

At this stage Mozambique cannot afford to alienate anybody—and neither can President Machel. There is no discernible sign of any internal challenge to his continning leadership and he remains a charismatic figure widely respected by many western politicians as an honest and pragmatic leader. But until a solution is found to Mozambique's security problems there can be no guarantees of anything.

APPOINTMENTS

New Racal-Decca post

Mr Chris Webb has been appointed *director-in-charge* of RACAL-DECCA ADVANCED DEVELOPMENT. The company, latest of Racal's *specialist* research units, is devoted to investigating new *technologies* for use in radar, satellite, infra-red and navigation systems. Mr Webb is technical director of Racal Defence Radar, a post ha retains.

★

Mr Brian Guest has been appointed customer engineering director of BUSINESS COMPUTER SERVICES.

★

A new post of operations and planning manager created at ALLOA BREWERY. Scottish trading arm of Allied Breweries, has been taken by **Mr Roy Waillie**, who was operations director of United Biscuits responsible for running a chain of licensed restaurants.

★

Mr Harry Norris, chairman of Stock Conversion and Investment Trust, has been appointed *to the* boards of SITE IMPROVEMENTS, and of Site Developments.

★

Mr Gavin Barlas is to be sales and marketing director of *LEYLAND* TRUCKS. He succeeds **Mr Chris Woodwark**, who becomes managing director of Land Rover-Leyland International Holdings. Mr Barlas was sales and marketing director of Leyland Parts.

★

Mr Richard Smith has been appointed marketing director of SWISH PRODUCTS, part of the Duport Group, taking over from **Mr A. J. Knight** who will continue as a senior director on the board with responsibility for *special projects. Mr Smith joins* from Fordham Bathrooms and Kitchens, a subsidiary of Hepworth Ceramic Holdings, where he was sales and marketing director.

★

Mr Murray Mclean, *chairman* and chief executive of Robert Moss, has become a director of the CSE-Oxford Air Training School Aviation Group.

★

LOMBARD CONTINENTAL INSURANCE has appointed **Mr Bryan James** as deputy marine underwriter. He was marine manager and underwriter at NEM.

★

Mr Stas A. Jozwiak and **Mr Nigel Hollyer** have been appointed directors of shipbrokers EGGAR *FORRESTER*. They join from Maton Grant Sutcliffe.

★

CROWN HOUSE has appointed **Mr M. J. W. Sergeant** as group chief executive in succession to **Mr P. Edge-Partington**. **Mr S. G. Bedger** has been appointed *financial director designate*. Mr Edge-Partington continues as chairman in a non-executive capacity. Mr Sergent *has* been a member of the board for five years and remains chairman of the tableware division.

★

Mr Michael Mountford has been appointed financial director of SUPRA AUTOMOTIVE. He joins from Rubery Owen where he was assistant to the *financial* director.

★

Mr G. J. Maudsley has been appointed production director of JOSEPH MASON. He joined from International Paints.

★

LYNDOE (HOLDINGS) has acquired Taylor-Bradbury Furniture Contracts and has appointed **Miss B. Taylor** as sales director and **Mr A. Taylor** as a non-executive director of Lyndoe (Holdings).

★

HEWGATE (HOLDINGS) has promoted **Mr Keith Foster** to group financial director, and joining the board is **Mr Timothy Titheridge**, *managing* director of Avocet Estates, to become *responsible* for the group's property developments.

★

Mr Courtney Candler has been appointed financial director of FYNEPAPERS, paper merchanting division of British Syphon. He *was a senior consultant* with Coopers and Lybrand *Associates*.

★

Mr John Hutchinson, former *senior* gilts partner at Wedd Durlacher, is joining MERRILL LYNCH EUROPE as managing director of its gilt sales and trading activity.

★

Mr Paul Thursby has been appointed an assistant general manager of THE UNITED BANK OF *KUWAIT. He was manager*, portfolios and investments, for which be will continue to have responsibilities.

★

Mr Bill W. Pace has been appointed managing director of UNION OIL COMPANY of Great Britain. He was managing director, Union Oil Norge A/S in Sandnes, Norway.

★

Mr Michael Buckingham, formerly operations director, has been appointed managing director of GUY SALMON CAR RENTALS. **Mr Richard Salmon** takes over as chairman; his father **Mr Guy Salmon**, who celebrates the golden jubilee *this* year *of the* company be founded in 1935, will still remain fully involved in the running of the group.

★

Mr Andy Rolls has been appointed director with special responsibility for finance at CHARTER HOMES. Also joining the board is **Mrs Anne Sendall**.

FT COMMERCIAL LAW REPORTS

UK copyright protected in Singapore

BUTTERWORTH & CO AND OTHERS v NG SUI NAM; LONGMAN GROUP LTD AND ANOTHER v NG SUI NAM; THE ROYAL ACADEMY OF MUSIC AND ANOTHER v NG SUI NAM

In the High Court of the Republic of Singapore: Mr Justice L. P. Thean: February 25 1985

COPYRIGHT PROTECTION under Singapore law which, prior to self-government, extended to parts of British dominions and which remained in force on Singapore's transition from colonial to independent status, does not expire on the ground of incompatibility with the constitution in that, properly construed, the law extends protection to geographically and not to politically defined areas. The copyright in works first published in the UK is therefore still protected in Singapore, notwithstanding that it is now a sovereign independent state.

Mr Justice Thean so held when giving judgment for the plaintiffs in three consolidated copyright actions each brought against the same defendant, Mr Ng Sui Nam, the proprietor of several book stores in Singapore.

The plaintiffs in the first action were Butterworth & Co (Publishers) Ltd, Longman Group Ltd, Stevens & Sons Ltd, Sweet & Maxwell Ltd, and Lloyd-Luke (Medical Books) Ltd, suing on behalf of themselves and all other members of the Publishers Association. The plaintiffs in the second action were Longman Group Ltd and Longman Malaysia Sendirian Berhad. The plaintiffs in the third action were the Royal Academy of Music and the Royal College of Music.

Section 1(1) of the Copyright Act 1911 provides: "... copyright shall subsist throughout the parts of His Majesty's dominions to which this Act extends ... in every original literary, dramatic, musical and artistic work, if—(a) in the case of a published work, the work was first published within such parts of His Majesty's dominions as aforesaid."

Paragraph 41 of Schedule 7 to the Copyright Act 1956, as modified by the Extension Order 1959 (SI 103 1959) provides: "In so far as the Act of 1911 ... forms part of the law of any country other than the UK, at a time after that Act has been wholly or partly repealed in ... the UK ... it shall, so long as it forms part of the law of the country first mentioned, be construed and have effect as if that *Act had not been repealed.*"

* * *

HIS LORDSHIP said that the owners of copyright in certain works first published in the UK brought actions against Mr Ng in Singapore for infringement of copyright.

Since 1965 Mr Ng had imported and sold copies of those works which were made and published without licence or consent of the copyright-owners.

Mr Lightman, for the copyright-owners, contended that the UK Copyright Act 1911, since its extension to Singapore in 1912, had continued in force as part of Singapore law, and that the works were entitled to protection.

Mr Walton, for Mr Ng, conceded that the Act was part of Singapore law but, having regard to Singapore's change in status from British colony to constituent state of Malaysia in 1963, and to sovereign independent state in 1965, it afforded protection only to works first published in Singapore.

The question turned on the construction of the 1911 Act in the context of Singapore as a sovereign independent state.

The Act came into force in the UK, and in Singapore as a British possession, on July 1, 1912. Hence, as of that date, all published works falling within section 1 (1) were afforded copyright protection.

That position continued until June 1, 1957, when the Copyright Act 1956 came into force in the UK, and repealed the whole of the 1911 Act (except sections 15, 34 and 37).

At that time the 1956 Act was not extended to Singapore, and in consequence, the 1911 Act remained unaffected as part of Singapore law, but the UK was no longer an area to which it extended.

On June 26, 1959, by Order in Council (SI 103 1959), paragraph 41 of Schedule 7 to the 1956 Act was modified so as to extend to all British colonies. Paragraph 41 had no retrospective effect, but restored as from June 26, 1959, the status quo on copyright protection which had existed immediately prior to June 1, 1957.

Thus, between June 1, 1957, and June 26, 1959, the 1911 Act was in force in Singapore but did *not extend to the UK*, and any work first published there during that period did not enjoy copyright protection in Singapore.

In 1959 Singapore became the State of Singapore with its own constitution and self-government, but remained a British colony. Copyright protection was not affected.

On September 16, 1963 ("Malaysia Day") Singapore ceased to be a British colony, and became a constituent state of an independent sovereign federation, the Federation of Malaysia.

That was brought about by the combined effect of the Malaysia Act 1963 of the UK and the Malaysia Act 1963 of the then Federation of Malaya. Both Acts contained provisions to preserve existing laws.

A constitution was established for Singapore, article 105 (1) of which provided: "all existing laws shall continue in force on and after the coming into effect of this constitution ... but ... shall ... be construed ... with such modifications, adaptations, qualifications and exceptions as may be necessary to bring them into conformity with this constitution ..."

With the entry of Singapore into Malaysia, the fate of the 1911 Act reached a critical stage. It was a piece of imperial legislation, extended to all British possessions, and Singapore had ceased to be a British possession.

The inevitable question then was whether it still remained in force as part of the law of Singapore.

In *Performing Rights Society v Bray UDC [1930] AC 377* the question was whether the 1911 Act was still in force in Ireland immediately after independence. Article 73 of the Irish constitution provided that "subject to this constitution and to the extent to which they are not inconsistent therewith" existing laws should continue in full force until repealed or amended.

The Privy Council held there was nothing in the 1911 Act which was inconsistent with the Irish constitution and that it remained in force.

That decision was followed in *Blackwood v Parasuraman [1959] Mad 410* where the same question arose with regard to the state of Madras in India.

In each of those cases it was held that the 1911 Act remained in force after independence, but the question whether it should be construed with necessary modifications was not considered.

At the time of Singapore's entry into Malaysia the 1911 Act and paragraph 41 of the 1956 Act were part of the existing law of Singapore, and by virtue of Article 105 of the constitution they continued in force.

As to the extent of "modification, adaptation, qualification and exception" with which that existing legislation ought to be construed, the point in principle was determined by the majority decision of the Federal Court of Malaysia in *Public Prosecutor v Anthony Wee Boon Chye [1964] 1 MLJ 189, 193.*

There it was held that Part II of the Fugitive Offenders Act 1881 was still part of the law of Singapore by virtue of Article 105 and the perpetuating provisions of the Malaysia Act, and that as a matter of construction, "British possession" was to be construed as a geographical expression.

Thomson LP said "British possession is, as it were, drained of any content implying any political relationship between the UK and Singapore ... it is not a political but a geographical expression." Barakbah CJ (Malaya) concurred.

Though that decision related to a different statute, the principle was binding in the present case.

In a similar way the 1911 Act read with paragraph 41 was to be construed as drained of any content implying any political relationship between the UK and Singapore. The "parts of His Majesty's dominions" to which the Act extended were to be treated as the geographical areas which fell within those parts.

Such a construction was not inconsistent nor in conflict with the constitution, nor was it repugnant to any of its provisions.

Therefore, as at Malaysia Day, September 16, 1963, the 1911 Act continued in force as part of the law of Singapore, and insofar as the present case was concerned, works first published in the UK continued to enjoy copyright protection.

The position as it then existed continued unaffected upon Singapore's separation from Malaysia. The Republic of Singapore Independence Act 1965 took effect *retrospectively as from Singapore Day* (August 9, 1965).

Section 13 (1) of that Act, and *article 162 of the Singapore constitution* as amended, preserved the existing law, such laws to be construed with the "modifications, adaptations, qualifications and exceptions" necessary to bring them into conformity with the independent status of Singapore and with the constitution.

Thus, the 1911 Act and paragraph 41 were, immediately before Singapore Day, part of Singapore law, and by virtue of Section 13 (1) and article 162, continued in force thereafter as part of Singapore law.

Construing the 1911 Act with the necessary modifications, adaptations, qualifications and exceptions, and following *Public Prosecutor v Chye*, "parts of His Majesty's dominions" in section 1(1) meant a geographical area which fell within the British dominions to which the Act extended.

The UK was within that geographical area, and the works, having been first published there, enjoyed copyright protection. The actions succeeded.

For the copyright-owners: Gavin Lightman QC and Anthony Lee (Allen & Gledhill, Singapore, for Birkbeck Montagu's).

For Mr Ng: Anthony Walton QC, Chie Quee Khee and Kon Ting Chu (Wee Swee Teow & Co, Singapore).

By Rachel Davies
Barrister

Company Notices

Gestetner Holdings PLC

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the holders of the 'A' Ordinary (non-voting) Shares of the Company will be held at Gestetner House, 210 Euston Road, London NW1 at 10.30 am on Wednesday, 27th March, 1985 for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an EXTRAORDINARY RESOLUTION:—

EXTRAORDINARY RESOLUTION

THAT this separate meeting of the holders of the 'A' Ordinary (non-voting) Shares of 25p each in the Company sanctions the passing of Resolution No. 1 set out in the notice dated 11th February, 1985, convening an Extraordinary General Meeting of the Company on 27th March, 1985 and hereby sanctions each and every variation, modification or abrogation of the rights attaching to the 'A' Ordinary (non-voting) Shares of 25p each effected thereby or necessary to give effect thereto.

Dated this 11th day of February, 1985 — By Order of the Board, R. L. E. LEWIS, *Secretary*

Registered Office:
41 Fawley Road
London N17 9LT

Note: Any member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll in respect of the above resolution, to vote instead of him. A proxy need not be a member of the Company.

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the holders of the 'A' Ordinary (non-voting) Capital Shares of the Company will be held at Gestetner House, 210 Euston Road, London NW1 at 10.35 am on Wednesday, 27th March, 1985 for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an EXTRAORDINARY RESOLUTION:—

EXTRAORDINARY RESOLUTION

THAT this separate meeting of the holders of the 'A' Ordinary (non-voting) Capital Shares of 25p each in the Company sanctions the passing of Resolution No. 1 set out in the notice dated 11th February, 1985, convening an Extraordinary General Meeting of the Company on 27th March, 1985 and hereby sanctions each and every variation, modification or abrogation of the rights attaching to the 'A' Ordinary (non-voting) Capital Shares of 25p each effected thereby or necessary to give effect thereto.

Dated this 11th day of February, 1985 — By Order of the Board, R. L. E. LEWIS, *Secretary*

Registered Office:
41 Fawley Road
London N17 9LT

Note: Any member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll in respect of the above resolution, to vote instead of him. A proxy need not be a member of the Company.

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the holders of the Ordinary Shares of the Company will be held at Gestetner House, 210 Euston Road, London NW1, at 10.40 am on Wednesday, 27th March, 1985 for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an EXTRAORDINARY RESOLUTION:—

EXTRAORDINARY RESOLUTION

THAT, with effect immediately following the passing of a Special Resolution authorising the same at an Extraordinary General Meeting of the Company to be held at Gestetner House, 210 Euston Road, London NW1 on Wednesday, 27th March, 1985, the 'A' Ordinary (non-voting) Shares and the 'A' Ordinary (non-voting) Capital Shares be converted into Ordinary Shares and Ordinary Capital Shares respectively ranking *pari passu* in all respects with the existing Ordinary Shares and Ordinary Capital Shares respectively, in accordance with the terms set out in a circular from the Chairman to the shareholders dated 11th February, 1985.

Dated this 11th day of February, 1985 — *By Order of the Board*, R. L. E. LEWIS, *Secretary*

Registered Office:
41 Fawley Road
London N17 9LT

Note: Any member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll in respect of the above resolution, to vote instead of him. A proxy need not be a member of the Company.

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the holders of the Ordinary Capital Shares of the Company will be held at Gestetner House, 210 Euston Road, London NW1, at 10.45 am on Wednesday, 27th March, 1985 for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an EXTRAORDINARY RESOLUTION:—

EXTRAORDINARY RESOLUTION

THAT, with effect immediately following the passing of a Special Resolution authorising the same at an Extraordinary General Meeting of the Company to be held at Gestetner House, 210 Euston Road, London NW1, on Wednesday, 27th March, 1985, the 'A' Ordinary (non-voting) Shares and the 'A' Ordinary (non-voting) Capital Shares be converted into Ordinary Shares and Ordinary Capital Shares respectively ranking *pari passu* in all respects with the existing Ordinary Shares and Ordinary Capital Shares respectively, in accordance with the terms set out in a circular from the Chairman to the shareholders dated 11th February, 1985.

Dated this 11th day of February, 1985 — By Order of the Board, R. L. E. LEWIS, *Secretary*

Registered Office:
41 Fawley Road
London N17 9LT

Note: Any member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll in respect of the above resolution, to vote instead of him. A proxy need not be a member of the Company.

Note: Holders of share warrants to bearer who wish to attend or to be represented at these meetings without warrants should deposit with the Company's Registrars, Barclays Bank PLC, Radbroke Hall, Knutsford, Cheshire WA1 6BR not less than seventy-two hours before the meetings, voting instructions, if not attending, and the certificate of a banker, solicitor or stockbroker that such warrants are held to the order of the Registrars until the termination of the relevant meetings or any adjournments thereof. Copies of the document dated 11th February 1985 containing recommended proposals for the enfranchisement of the non-voting shares, share option schemes and adoption of new Articles of Association can be obtained from the Secretary at the Company's registered office, together with the various proxy cards for completion.

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Gestetner Holdings PLC will be held at 11.00 am on Wednesday, 27th March, 1985 at Gestetner House, 210 Euston Road, London NW1 for the purposes of:—

RESOLUTION 1	To receive and adopt the report and accounts for the 52 weeks ended 3rd November 1984.
RESOLUTION 2	To declare the final dividend recommended in the directors' report.
RESOLUTION 3	To re-appoint Deloitte Haskins & Sells as auditors of the company until the conclusion of its next Annual General Meeting and to authorise the directors to fix their remuneration.
RESOLUTION 4	To re-elect to the board Mr A. E. Singer who retires by rotation.
RESOLUTION 5	To re-elect to the board Mr A. Graham, who retires in accordance with Article 115.
RESOLUTION 6	To re-elect to the board Mr D. J. Herbut, who retires in accordance with Article 115.
RESOLUTION 7	To re-elect to the board Mr M. R. Nornstein, who retires in accordance with Article 115.
RESOLUTION 8	To re-elect to the board Mr H. O. Wiltshire, who retires in accordance with Article 115.

The annual report and accounts are sent to all shareholders and holders of the company's 10% Convertible Unsecured Loan Stock 1990/95, but only ordinary and ordinary capital shareholders are entitled to attend and vote or to be represented at the Annual General Meeting.

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote for him. A proxy need not be a member of the company. To be effective, such proxies must be received by the registrars not less than forty-eight hours before the time fixed for the meeting. Appointment of a proxy will not prevent a member from attending and voting in person.

Directors' contracts are available for inspection at the registered office until the date of the meeting and, on 27th March, 1985, are available at the place of the meeting from 9.45 am until the conclusion of the meeting.

Dated this 11th day of February, 1985 — By Order of the Board, R. L. E. LEWIS, *Secretary*

Registered Office:
41 Fawley Road
London N17 9LT

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the Company will be held at Gestetner House, 210 Euston Road, London NW1, at 11.30 am (or immediately following the Annual General Meeting, should it end after 11.30 am) on Wednesday, 27th March, 1985 for the purpose of considering and, if thought fit, passing the following Resolutions of which Resolutions Nos. 1 and 2 will be proposed as SPECIAL RESOLUTIONS and Resolution No. 3 will be proposed as an ORDINARY RESOLUTION.

Resolutions Nos. 1 and 2 will be proposed only if each of the Extraordinary Resolutions as set out in the accompanying Notices of Extraordinary General Meetings of the holders of the Ordinary Shares, the Ordinary Capital Shares, the 'A' Ordinary (non-voting) Shares and the 'A' Ordinary (non-voting) Capital Shares are duly passed by such Meetings before the Meeting in respect of which this Notice is given. In the event that such Extraordinary Resolutions are not all passed, Resolution No. 3 will be deemed to be renumbered Resolution No. 1 and will be proposed as an ORDINARY RESOLUTION:—

SPECIAL RESOLUTIONS

1. (a) THAT it is desirable to capitalise the sum of £143,224.25 from the Company's profit and loss account and that accordingly the Directors be authorised and directed to appropriate such sum to the persons who were holders of Ordinary Shares and Ordinary Capital Shares on 1st March, 1985, in proportion to the amounts paid up on their shares and to apply such sum on their behalf in paying up in full unissued Ordinary Shares and Ordinary Capital Shares of the Company of a nominal amount equal to such sum, *such shares to be allotted and distributed, credited as fully paid* up, to each of such holders of the Ordinary Shares and Ordinary Capital Shares in the form of one Ordinary Share for every four Ordinary Shares and one Ordinary Capital Share for every four Ordinary Capital Shares held on 1st March, 1985 (fractional entitlements being aggregated and sold for the benefit of the Company), to rank *pari passu* in all respects with the existing Ordinary Shares and Ordinary Capital Shares respectively except for the right to receive a final dividend, or shares in lieu of dividend, in respect of the accounting period ended 3rd November, 1984.
   (b) THAT the Directors be authorised to make all appropriations and applications of such sum resolved under this Resolution to be capitalised, and be authorised pursuant to Section 14 of the Companies Act 1980 (which authority shall lapse on 27th March, 1986) to make all allotments and issues of such fully paid shares, and generally be authorised to do all acts and things required to give effect to such Resolution.
   (c) THAT, with immediate effect, the 'A' Ordinary (non-voting) Shares and the 'A' Ordinary (non-voting) Capital Shares be converted into Ordinary Shares and Ordinary Capital Shares respectively ranking *pari passu* in all respects with the existing Ordinary Shares and Ordinary Capital Shares respectively.
2. THAT subject to Resolution No. 1 above being passed the Articles of Association produced to the Meeting and initialled for the purposes of identification by the Chairman be and are hereby adopted in substitution for and to the exclusion of all existing Articles of Association of the Company.

ORDINARY RESOLUTION

3. (a) THAT the adoption of a SAYE Share Option Scheme of which the rules are set out in the copy produced at this meeting and initialled for the purpose of identification be approved subject to such amendments as the Directors consider necessary or desirable to obtain the approval of the Board of Inland Revenue in accordance with the Finance Act 1980 and the Directors are hereby authorised to make such amendments;
   (b) THAT the adoption of the Executive Share Option Scheme of which the rules are set out in the copy produced at this meeting and initialled for the purpose of identification be approved subject to such amendments of the Board of Inland Revenue in accordance with the Finance Act 1984 and the Directors are hereby authorised to make such amendments;
   (c) THAT the Directors be authorised to make such modifications to the proposed rules of the SAYE Share Option Scheme and the Executive Share Option Scheme as shall be necessary to secure the approval of the Board of Inland Revenue and to do all acts necessary to carry the same into effect;
   (d) THAT in implementing these Schemes each Director of the Company be authorised to vote as a Director at any future Board Meeting or on any matter connected with the SAYE Share Option Scheme and the Executive Share Option Scheme notwithstanding that he may be interested in the same save that no Director may vote or be counted in the quorum for a resolution in respect of his personal participation.

Dated this 11th day of February, 1985 — By Order of the Board, R. L. E. LEWIS, *Secretary*

Registered Office:
41 Fawley Road
London N17 9LT

Note: Any member entitled to attend and vote on any or all of the Resolutions at the above meeting may appoint one or more proxies to attend and, on a poll in respect of the Resolutions of which he is entitled to vote, to vote instead of him. A proxy need not be a member of the Company.

NOTICE TO HOLDERS OF US$200,000,000 BEATRICE FINANCE N.V. 10¼% GUARANTEED NOTES DUE 1994

Unconditionally guaranteed by Beatrice Companies, Inc.
With Warrants to purchase Common Stock of Beatrice Companies, Inc.

NOTICE IS HEREBY GIVEN by Beatrice Finance N.V., a Netherlands Antilles corporation (the "company") that on or about February 27, 1985, the company, Beatrice Credit Corp., a Delaware corporation (the "assuming company") and Beatrice Companies Inc., a Delaware corporation (the "guarantor"), will execute an amendment (the "amendment") to the fiscal agency agreement dated as of September 15, 1984 (the "fiscal agency agreement"). The amendment provides for the assumption by the assuming company of the due and punctual payment of the principal of and interest on the U.S.$200,000,000 aggregate principal amount of 10¼% guaranteed notes due 1994 (the "notes") and the performance of every covenant thereof and of the fiscal agency agreement on the part of the company to be performed or observed. The notes will continue to be unconditionally guaranteed by the guarantor.

On April 10, 1985 (the "exchange date"), the temporary global note and the temporary global warrant will be exchanged for definitive notes and definitive warrants. The definitive notes will be issued in the name of the assuming company and the notes with warrants will continue to be listed on the Luxembourg Stock Exchange (the "stock exchange") and after the exchange date the notes and the warrants will also be listed on the stock exchange. Prior to the exchange date the notes with warrants will be listed on the stock exchange in the name of the assuming company followed by the name of the company and on and after the exchange date the notes with warrants, the notes and the warrants will be listed only in the name of the assuming company. Any future notices will be given in the name of the assuming company.

Copies of the certificate of incorporation and by-laws of the assuming company along with a supplemental legal notice relating to the assumption of the notes by the assuming company will be deposited with the chief registrar of the district court of Luxembourg, where copies thereof may be obtained upon request. Copies of such documents along with copies of the fiscal agency agreement and the amendment are also available for inspection at the office of Banque Internationale à Luxembourg S.A., Luxembourg and at the offices of Citibank, N.A., as fiscal agent, and the offices of each of the paying agents.

Dated: March 5, 1985.

NOTICE
THE HOLDERS OF 5% DEBENTURES 1978-1987 OF THE DEAD SEA WORKS LIMITED

Notice is hereby given that the drawing held on the 20th day of February 1985 under the supervision of the Trustees, Debentures of Group 3 were drawn for redemption on the 31st day of March 1985.

Repayment to the holders of Bearer Certificates of this Group will be made by the Dead Sea Works Limited against presentation of the Debenture Certificate(s) and Interest Coupon No. 19 to No. 20, both numbers inclusive, to Bank Leumi le Israel B.M. P.O. Box 2, Tel Aviv 61000, Israel.

Repayment to the holders of Registered Certificates of this Group will be made by the Dead Sea Works Limited, upon receipt of the Certificate(s) at P.O. Box 29452, Tel Aviv 51293, Israel.

BANK LEUMI LE ISRAEL TRUST COMPANY LIMITED AS TRUSTEES

AKRANES AND BORGARFJORDUR HEATING CORP.
US$10,000,000
Floating Rate Notes due 1995

In accordance with the description of the Notes, notice is hereby given that for the initial interest period February 27, 1985 to August 27, 1985, the Notes will carry an interest rate of 10¹⁄₁₆% per annum.

The interest payable on the relevant interest payment date, August 27, 1985 against coupon No. 1 will be US$50,592.01 for each Note of US$1,000,000.

The Agent Bank
KREDIETBANK SA
Luxembourgeoise

NOTICE TO THE HOLDERS OF BONDS OF THE ISSUE 9.25% 1978-88 OF $US25,000,000 MADE BY THE EUROPEAN COAL AND STEEL COMMUNITY

The Commission of the European Communities announces that the Annual Instalment to Bonds amounting to $US850,000 has been purchased for redemption on April 1 1985.

Amount in circulation after April 1 1985, $US19,050,000.

NOTICE TO THE HOLDERS OF BONDS OF THE ISSUE 9% 1978-93 OF $US25,000,000 MADE BY THE EUROPEAN COAL AND STEEL COMMUNITY

The Commission of the European Communities announces that the annual instalment of Bonds amounting to $US850,000 has been purchased for redemption on April 1, 1985.

Amount in circulation after April 1, 1985, $US19,050,000.

G.U.S. INTERNATIONAL N.V.
U.S.$10,000,000 9½% 1974-1989

Bondholders are hereby informed that the amortisation of April 5, 1985 for which an instalment of a nominal value of U.S.$1,500,000 is due, has been entirely met by purchases in the market.

Coupons due on April 5, 1985 will be payable at the following banks: Credit Lyonnais, Luxembourg; Credit Lyonnais, Brussels; Credit Lyonnais, New York; Credit Lyonnais, London; Credit Lyonnais, Paris; First National City Bank, Frankfurt; First National City Bank, London; Societe de Banque Suisse, Basel.

SOCIETE DE BANQUE SUISSE, Basel.

Amount remaining in circulation after this eighth instalment: U.S.$6,500,000

The Fiscal Agent
CREDIT LYONNAIS, LUXEMBOURG

NORGES KOMMUNALBANK
U.S.$75,000,000 8½% BONDS 1977 (81-92)

NOTICE IS HEREBY GIVEN that pursuant to the terms and conditions bonds in the amount of U.S.$6,250,000 for redemption as per 16 May 1985 will be withdrawn from the Sinking Fund. Therefore, a drawing by lot of bonds will not be effected this year.

The outstanding amount after redemption as per 16 May, 1985 will be U.S.$43,750,000.

Oslo, March 1985.

NORGES KOMMUNALBANK

Kingdom of Denmark
U.S.$ 37,500,000 Floating Rate Notes due 1995

In accordance with the description of the Notes, *notice is hereby given that for the initial interest period* February 27, 1985 to August 27, 1985, the Notes will carry an interest rate of 10.0375% per annum.

The interest payable on the relevant interest payment date, August 27, 1985 against coupon n° 1 will be U.S.$ 50,466.32 for each Note of U.S.$ 1,000,000 and U.S.$ 25,233.16 for the Note of U.S.$ 500,000.

Agent Bank
KREDIETBANK
S.A. LUXEMBOURGEOISE

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THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Management buy-outs

France takes faltering steps

BY DAVID MARSH

MANAGEMENT BUY-OUTS ere all very well in theory in France these days. But, so far at least, putting them into practice has been a slow process. As a result, the Government is facing a lobbying drive from investment institutions to try to bring ebout e further eesing in the rules covering buy-outs.

As pert of the general efforts to improve the jobs outlook by boosting incentives for small business entrepreneurs, the Socialist government last July brought in a package of tax reform measures to encourage managers to take over their own businesses.

With hardly a week going by without a French bank or institution announcing a new investment scheme in the general field of risk capital, some of the leading names in French finance, including the Paribas and Suez investment groups and a cluster of foreign organisations, have jumped eboard the buy-out bandwagon. The ecronym LMBO (leverage management buy-out) no longer needs any explanation, and banks have given up trying to translate the ugly Anglo-Saxon pbrase into an adequate French alternative.

Leverage refers to the borrowings needed to finance buy-outs. In the few deals which have taken place in France, the bought-out company's debts have on average been around three times sbareholders' funds, rather lower than in the U.S.

There is no denying the need to improve the environment for LMBOs in France—in particular to resolve the thorny succession problems facing many medium and small businesses when the boss dies or decides to quit. As many as 10 per cent—amounting to 2,000 companies per year—of French corporate bankruptcies bave been estimated to be caused by the insbility to find e successor wben the patron who built np the business disappears from the scene.

But although scores of potential buy-outs are under study scross the country, only a handful up to now have been completed. The first major buy-out is generally acknowledged to beve been for Quercymetal, based in Cahors in South West France, e FFr 270m (£24.5m) turnover bobby and bousehold equipment distribution company whieb bas just passed into the control of its staff in a deal arranged by the Banque Nationale de Paris.

One of the main reasons for delays bas been governmental prudence. Fiscal inspectors at the French Treasury have been reluctant to authorise companies to make use of the rather daring tax exemptions offered under last July's law. Although the Finance Ministry is trying to speed up the process, each buy-out dossier is examined on a case by case basis to ensure that individuals are not trying to profit from loopboles.

Michel Biegala: tax changes a step in the right direction

Finance ministry officials reject charges of bureaucratic inertia and say that the special committee dealing with management buy-outs is dealing with about 15 cases e month, although each dossier takes sbout two months to study. Out of around 40 buy-outs under study, 10 have been given the green-light, they say.

"Things have taken time to start up," says Jean Peyrelevade, the chairman of the Compagnie Financiere de Suez conglomerate, which has realised one small buy-out and is in the process of putting together another four or five. "But the problems (with the Finance Ministry) are on the way to being solved. We're on the move."

Others are not so optimistic. Claude Etchegaray, former chairman of the state Usinor steel group, wbo now beads car accessories company Neiman, was chosen by the Paribas investment bank to supervise its FFr40m Cofidic management buy-out fund established a year ago along with retail bank Credit du Nord.

Cofidic is on the way to putting in place two operations, based on the July 1984 law, under which it and other institutions inject capital to assist managers to buy out their own company.

The transactions are put into effect in two stages, by setting up a holding company (owned typically 55 per cent by managers and 45 per cent by Cofidie) which then takes e majority stake in the company being bought out.

The process of obtaining the necessary anthorisations to benefit from fiscal advantages is "terribly long," says Etchegaray. He believes it will be some time before French buy-outs pick up steam.

One impediment, be says, is the reluctance of major French corporate groups to spin off profitable parts of their business which have become peripheral to their mainline operations. Another is the difficulty of finding managers who want to launch themselves as entrepreneurs. "The French are not like the Americans," he says ruefully.

The July 1984 tax changes make it possible for managers taking part in buy-outs to deduct from their taxable income interest payments—of up to FFr 100,000 per individual—on loans to finance the operation.

Additionally, the holding concern is allowed tax breaks which permit it to raise what are effectively interest-free loans to finance the operation.

According to Michel Biegala, head of the French arm of the British institution, 3i (Investors in Industry), owned by nine London and Scottish banks and the Bank of England, the July measures are e step in the right direction but need to be improved.

Like Cofidic, 3i is pushing for a softening in the Government's condition that buy-outs can benefit from tax exemptions only if the majority of a bought-out company is owned by existing employees.

"With many companies set up after the war, the boss—like his key personnel—is e self-taught man without formal business training," says Biegala. "The chairman is in his 50s, but often his children don't want to succeed him. They are more interested in going into one of the professions—and they have often watched their father working seven days a week over the past 30 years. Since the other main executives are mostly in tbe 50 to 55 age range, don't want to take on the additional risks of ownership, and are often managerially not up to scratch, the best option really is to find an outside buyer."

3i, which set up its Paris operation two years ago, has so far made 11 investments in small French companies to add development capital, but has not yet put together any buy-outs, partly because of the constraints of existing fiscal conditions.

Biegala is studying 20 LMBO dossiers, of which 10 are serious potential cases, but only three would qualify for tax incentives under the present rules: "The main necessity is for flexibility," he says.

The answer is either to ease the rules to allow outsiders and existing employees to pool funds in takeovers (a step which bcth Biegala and Etchegaray hope will soon be allowed).

Biegala points out that allowing in outside managers with cash of their own can greatly increase the chance of a successful buy-out by allowing larger groups to be taken over increasing the overall finance available. He clearly has an eye on 3i's fortunes too.

"If investors want a chance to take their money out of the company with a profit in, say, five or ten years' time, through an entry on the Bourse, (stock market), the best chance is with a company of about FFr 50m turnover which has a good chance of growth. If you set up a deal which obliges managers to devote the bulk of their resources simply to paying off the takeover price, you are going to cut funds for expansion—and handicap prospective growth."

MANAGEMENT and leverage buy-outs are different names for the same kind of deal, whereby a company or one of its offshoots is purchased by people involved in running it.

The vendor might be a receiver, or a private or public group wishing to dispose of peripheral or poorly performing assets. However, there are several different routes by which a buy-out might be achieved.

In its simplest guise, a buy-out happens when directors purchase poorly performing assets from their old company at a discount to book value and finance the entre deal through bank borrowings. They get full ownership, and usually bring in an outside manager—in the U.S., often a buy-out specialist—to hold their hands for the first few years.

Sometimes, a merchant bank or venture capital body like 3i will put up loan finance in exchange for an option on some of the shares.

Buy-outs get more complicated when the directors cannot borrow enough to provide working capital for the newly independent company. Most banks will only lend against the value of the assets being acquired.

In this case—the most common kind of deal in the UK—a venture capitalist will put up equity, generally in a mixture of ordinary and redeemable preference shares. The latter carry no votes to allow the management to retain control, and they also guarantee that investors get at least some of their risk capital back wben the shares are redeemed. The classic leveraged buy-out will have three sources of funds: bank loans, the management's personal stake, and outside investors' equity capital.

A number of buy-outs have taken place recently at a premium to net assets, with several institutional investors getting involved. There might also be a formula by which the management's equity stake increases according to performance.

A recent example is the £2m acquisition of Viscose Closures, a UK plastic and metal cap distributor, from a subsidiary of the French conglomerate, Chargeurs SA. The managers borowed £500,000, raised the rest from their own resources and three institutions, County Bank Development Capital, Citicorp Venture Capital and 3i. If certain profit targets are met, the management moves from a minority to a controlling position.

European climate not what it was

BY WILLIAM DAWKINS

THE FRENCH Government's faltering attempts to get management buy-onts off the ground are among the first indications of a trend which venture capitalists believe will gain increasing strength throughout Europe.

Yet France's problems in clearing the way for managers to buy their own companies also provide a telling illustration of why many Continental countries offer a less fertile ground for this kind of deal than the UK, which has taken this U.S. invention more to heart than any other European nation.

The technique is almost unknown, for instance, in Europe's largest economy — West Germany where a corporate culture that encourages large companies to keep their empires intact and puts a high value on job security bas provided little incentive for locsl managers to try to strike ont on their own.

However, a significant crack in German corporate conservatism emerged last August, when Siemens, the electricals giant, funded the independent development of an electron beam micro-chip test by eight former group research scientists. While not a management bny-out in the formal sense of a band of directors acquiring an existing subsidiary, it was the first major example of a friendly spin-off from a leading German company.

A relatively inactive new issues market bas also dampened any potential management buyers' prospects of cashing in on their efforts and offering investors a chance to realise their profits by selling shares to the pnblic. Only 21 companies joined the German stock market last year, a big improvement on earlier years, but still a paltry comparison with the 195 groups whieb joined Britain's listed and Unlisted Securities Markets in 1984.

Amsterdam's more lively new issues market—spurred on by the arrival of a secondary stock market three years ago—might explain why management bny-outs have become more popular in the Netherlands than in any other European country except for the UK.

Dr Evert Elbertse, economic secretary for the VNO, the Dutch industrialists' association, says: "It's a very rapidly expanding sector, which doubles its activity year on year. There was a tendency for companies to form large integrated groups, and now they are recognising that they have too many activities which are remote from their main operations."

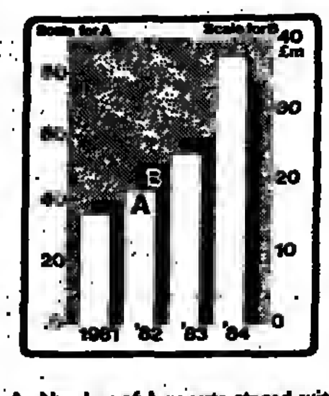
In that sense, the Dutch experience echoes the disillusion felt by U.S. companies in the mid 1970s, and later their UK counterparts, with large unwieldy structures which had no obvious commercial logic. Dutch management buy-outs have also been assisted by the arrival four years ago of government-backed venture capital institutions, which have so far financed 17 deals, probably half of the total, Dr Elbertse estimates.

The UK has seen an even more dramatic expansion in the number of bodies willing to arrange or finance management buy-outs, with the arrival in recent years of groups like Candover Investments and Citicorp Venture Capital, the UK venture capital arm of the U.S. commercial bank.

A survey by the Economist Intelligence Unit found that there were more than 40 such institutions operating in the UK last year, as against a mere handful at the turn of the decade. 3i, the oldest and largest of them all, reckons to cover about balf of the UK management buy-out market, where it invested £24m in 77 deals in 1984.

Contributing to this growth has been the formation of the USM just over four years ago, followed by the passing of the 1981 Companies Act, which made it easier for private companies to provide financial assistance to purchasers. Yet there are signs thet the boneymoon period for UK management buy-outs is coming to an end in e way that could contain messages for other European countries attempting to jump on to the bandwagon.

While the flow of deals is still increasing, the climate is getting less easy for management teams to buy their way to independance. Rising prices on the public equity markets have allowed sellers to be more demanding, while the success of some of the earliest management buy-outs to get pnblic flotations has attracted the competing attentions of corporate buyers.



A. Number of buy-outs staged with venture capital investments

B. Money invested in buy-outs by venture capital institutions

Figures are estimates for the UK only and exclude investments made by 3i. Source: Venture Economics Ltd.

Flotation successes include companies like the Wardle Storeys plastics group, Instem electronics and Sarasota Technology, which all went public last year at valuations many times their original purchase prices.

"Three years ago, the management teams were the only buyers," says Derek Sach, a director of 3i. "They knew that the owners were faced with possible liquidation if there was no sale. Now we are seeing e lot of management buy-outs being lost to larger companies which want them for their own expansion."

Recent examples include the Prestige bomewares group, which was snatched from the erms of its management at the last moment by the leading tobacco company, Gallaher; Coles Cranes, an Acrow offsboot, which went to Grove Manufacturing of the U.S. last October, and the Yarrow warship yard, which is firmly in the sights of Trafalgar House now that its management bas thrown in the towel after failing to win the support of the workforce.

Their managements found themselves on the wrong side of an unequal fight. Their top price was limited by what they could borrow—and British banks are a lot more cautious about gearing than U.S. ones—while the corporate buyers could subsidise purchases from their own cash flow.

As in so many corners of the venture capital business, the UK experience echoes what bas already taken place in the U.S., where around 400 to 500 management buy-outs take place every year, according to Jim Mahoney, publisher of the National Review of Corporate Acquisitions.

"There was e time when managements could just write their own ticket. Now there are more parties competing in the buy-out market, which causes the bidding to go up," says Mahoney. One result has been to push up the amount which buyers have to borrow to finance acquisitions, sometimes to as much as nine times shareholders' funds.

But highly geared buy-outs have also attracted stern warnings from the U.S. Securities and Exchange Commission about the risks of bankruptcy. Sach has similar worries for the UK.

"Prices heve certainly gone up, and some management teams are seeking funding which in the long term they won't be able to sustain," he warns. Buy-outs frequently start independence with the benefit of stock profits and surplus plant inherited from the former parents, so it can take two years or so for debt servicing problems to become apparent. The current failure rate of 3i-financed buy-outs is one in seven, as against one in three for start-ups, but that could easily change es the boneymoon comes to an end.

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Price Waterhouse

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Further information may be obtained from the Joint Receivers, Mr. Maurice C. Withall and Mr. Ian D. Williams, Thornton Baker, Fairfax House, Fulwood Place, London WC1 6DW. Tel: 01-405 8422. Telex: 28984.

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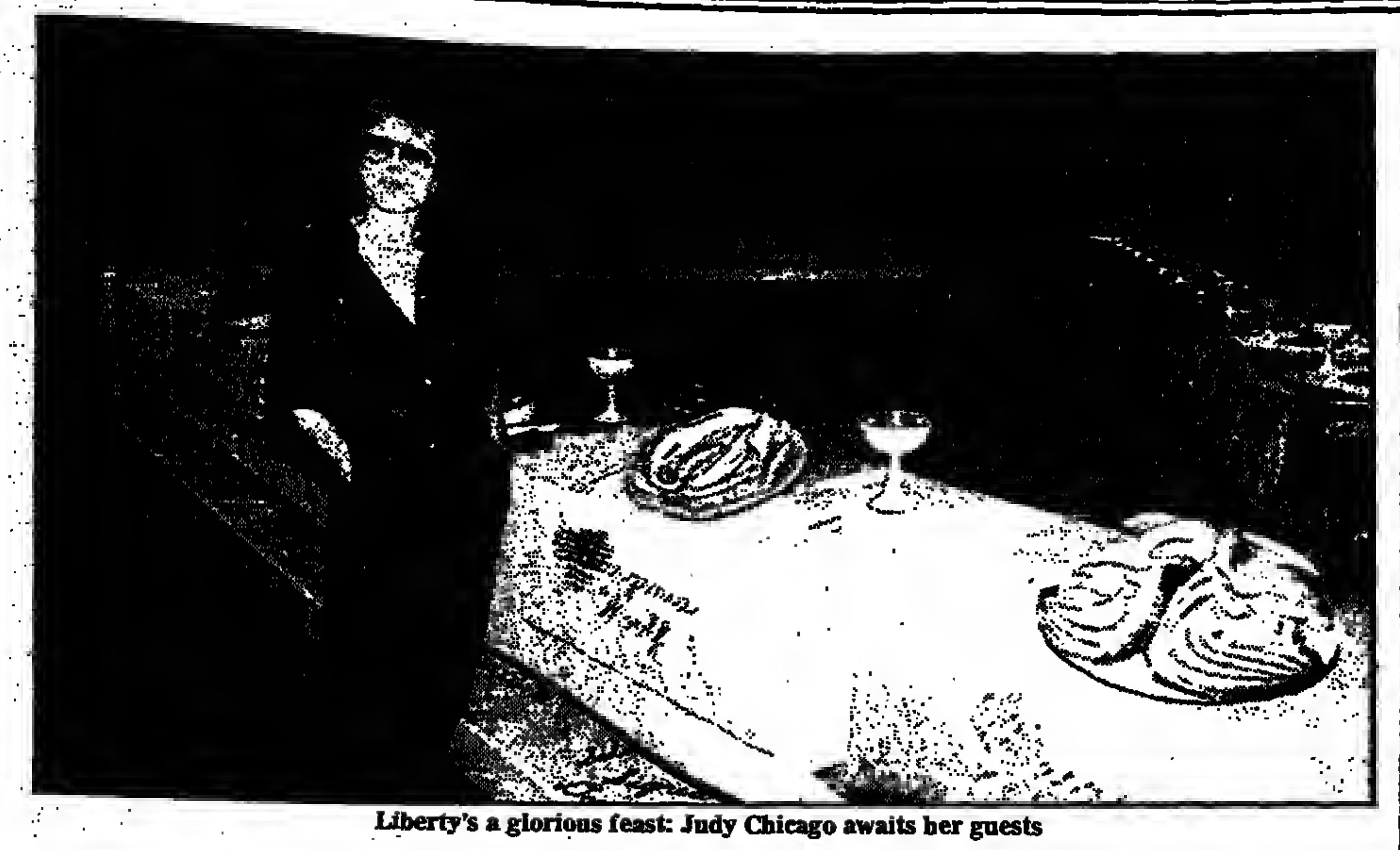
THE ARTS



Liberty's a glorious feast: Judy Chicago awaits her guests

London Galleries/William Packer

Sculpture's subject sorority

The work of any artist is in essence conditioned by personal experience. No-one, artist or otherwise, no matter how profound his thought or subtle his *vision*, has *anything* but his own experience by which to test the truth of what he does, or she as the case may be. One is what one is, of course, and certainly *the lottery of the sexual divide* confers a most decisive qualification. To say as much, however, is not to say that gender will be necessarily the primary pre-occupation, but rather that it will affect and qualify whatever is done in some degree, if only in the most private, even unconscious way.

This is always a matter of particular consideration and who but the narrowest sexual politician would be prepared to split hairs over the essential masculinity, shall we say, of a Turner sunset or a Mondrian grid, and who would deny it in a fleshscape by Rubens or Renoir? *The point to remember is* that true art, whatever its nature, emphasis or inclination, *is not exclusive to the* experience of the one sex or the other, but transcends its immediate limitations to become universal. If it is exclusive, it is not art at all.

Two current exhibitions point the distinction, both of them of sculpture of sorts, and both by women. The Royal Academy has put on a full retrospective study, not over large but well *chosen* and comprehensive, of the work of Elisabeth Frink (until March 24—sponsored by *Trafalgar House*), while up in Islington, at the *ad hoc* venue of The Warehouse in White Lion Street (until May 26, multi-sponsored) is Judy Chicago's polemical installation, The Dinner Party, which was shown for the first time in Europe at the Edinburgh Festival last summer.

The Dinner Party is certainly an extraordinary sight, a large triangular banquetting table set with arch significance for 39. The presentation is highly professional, very clear in its direction, and the visitor is left in no doubt as to how he should take it. "The Dinner Party," *the leaflet* tells us, "is a large *scale* work of art symbolising the achievements of women in *Western Civilisation*."

Well, good luck to it, but what it really is is a somewhat over-theatrical tableau carried through with admirable energy, consistency and, in its detail, considerable practical skill, which yet serves a single polemical position that we are asked simply either to take or leave. There is no room left for speculation, reconsideration or doubt, nothing for the organic personal response that is the creative opportunity any *work of art affords* its audience.

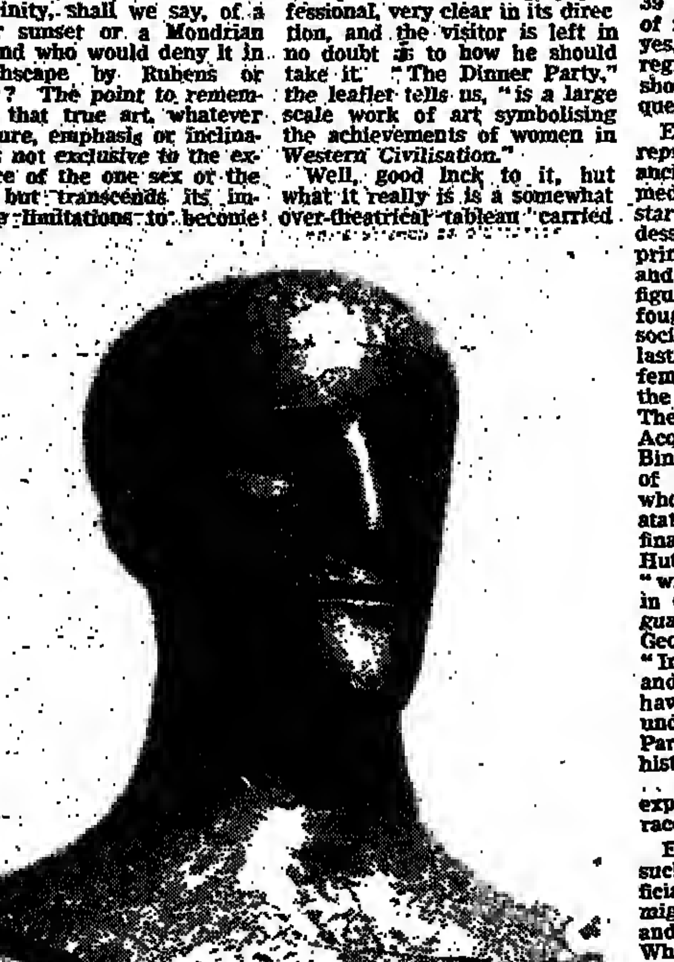
Miss Chicago herself has no doubts that her Dinner Party is fixed and absolute, her guest list immutable, her symbolism, with the enormous scope it must encompass, thus exact. But the final question is always deflected: she and her helpers researched the material (work that had never been done *before, they say*), fixed upon the 999 names for the central "Heritage Floor," whittled *down the list* to *the symbolic* 39 who have the whole weight of female history to bear; and yes, it was difficult; and no, we regret no exclusions: and why should you ask all these questions of a work of art?

Each side of the triangle represents an historical phase: ancient and mythological, mediaeval, modern. And so we *start with* the *Primordial Goddess*, glossed as "the feminine principle as the source of life," and move on through such figures as the Amazon—"who fought to preserve gynocratic societies"—and Sappho—"the last flowering of uninhibited female creativity"—and so to the next group. Here are Theodora, and Eleanor of Acquitaine, and Hildegarde of Bingen, and Elizabeth R—"one of the greatest female rulers who ever lived, distinguished stateswoman and scholar." The final group takes us from Anne Hutchinson to Virginia Woolf—"writer, feminist and pioneer in creating a female form language in literature"—and Georgia O'Keeffe, the painter. "Instead of being remembered and honoured, *these* women have been forgotten or misunderstood. Thus the Dinner Party reminds us that the history of Western Civilisation . . has failed to represent the experiences of half the human race." Perhaps it has.

Elisabeth Frink affords us no such misgiving, though a superficial reading of her work might suggest just as specific and literary a preoccupation. Where Miss Chicago takes woman *and the female* experience as her subject, so she takes the male and the idea of the masculine *presence as hers*, and yet her experience need be no less truly feminine for that. But the real distinction between *their work lies with* the fact that a Frink standing nude, or rider, or gigantic head, for all its evident figurative presence, requires no further gloss than that which is *integral* to it in what it actually is. There may be particular criticisms to make, *but they are not of subject or* intention but of sculpture as sculpture. And it allows us that critical freedom, furthermore, to approach it on our own terms.

This is a most useful exhibition. For rather too long, her work *has come to us batch* by batch, each to be seen in an isolation which repeatedly has had the curious effect of over-emphasising rather the subject matter, the goggled head, the running man, the horse and rider, at the expense of the form which is its embodiment. Now the underlying consistency of idea and practice is confirmed, and a more *substantial* achievement thus celebrated. And the simpler, the more *direct the* work, *the* more impressive it is. The burnished goggles, which seemed such a good *idea* at *the time*, still irritate, but overall their particular importance falls away as they are seen as just a minor variation upon a general theme that is entirely vindicated. So it is with the riders and the animals and the standing figures: one or even several will seem unconvincing or arbitrarily grotesque and distorted, *and yet there is a further* piece to resolve the issue and justify the entire sequence. The early work, *of the fifties especially*, is full of vitality and practical invention; the most recent work, of the eighties, more positively monumental, and perhaps more truly ambitious.

Art is never like, no matter how close the reference, and *simplification* and *distortion* will always occur. But in accepting the contradiction, artists also accept the *challenge*, and the temptation to try the impossible is sometimes too much to resist. In Miss Frink's case, the least satisfactory work is that concerned with the idea of movement and its suggestion, the most successful that which deals with energy implied but contained and undemonstrated—an early reclining torso perhaps, or a recent grey horse and rider maquette, infinitely more potent in imaginative charge than a stepping horse or a running man.



Tribute I, 1977: An Elizabeth Frink bronze

Hamlet/Orange Tree, Richmond

B. A. Young

Never mind lines like "To be, or not to be, ay, there's the point," or "Oh, what a dunghill idiot slave am I," the 1603 edition of *Hamlet* is a brisk, exciting play that lacks only the best *qualities* of subtlety and *poetry* in the second, authentic quarto. It is thought to have been written from memory by an actor. Often the words are wrong and the speeches cut—the script is little more than half as long as the second quarto and Sam Walters in this vivid production has cut a little extra to ensure that nine players can take 19 *parts* on his tiny stage, and do it in 2½ hours.

Mostly the players wear dark trousers and loose shirts, sometimes covered by a greatcoat. The King and his wife Gartred, as she spells it, are better dressed as *befits royalty*. There is no scenery; stools and benches are handled as needed by the actors to furnish a scene. The Ghost stands upright against a wall, brought on or off simply by a floodlight. The sound of the shipwright's work in *the first scene*, an *important* detail sometimes left out, is partly provided by hanging on the radiators.

A brilliant company ensured that I never *for a moment* lost my total belief in what was going on. Peter Guinness's Hamlet *is not* the loitering student of yesterday's fashion: he is as resolute in his speech as in *his looks*, once he is sure that "this grieved and sorry flesh" will not melt. Not very mad, though. The King, his *stepfather (David Timson) is* an indoor man, soft and pliable, unlike Hamlet's true father, here called Albertus. Gertred (Philippa Gail) displays her youth and beauty for him in a gorgeous green costume; we don't know how old she is, for we don't know how old Hamlet is. In the good quarto he is 30, as we learn from the grave-digger; in the "bad" graveyard scene the only statistic we are given is that Yorick was buried 12 years before. The Grave-digger (also Ghost Voltemar and First Player) is Peter Wyatt, who brings a different merit to each part.

For once, we get an intelligent Polonius, only he is called Corambis. He certainly doesn't deserve Hamlet's "great baby" slander. His instructions to *Leartes (sic) don't sound as* foolish as they generally do, nor his spying brief to Montano (né Reynaldo). His children are as bright as he, a brave young Leartes (John Hudson, who is also Bernardo and Gilderstone) and a bright Ofelia (Kate Spiro) who plays her mad scenes remarkably well. Sam Walters has incorporated a good *idea here. When Ofelia says* (as in the second quarto) "You must sing a-down a-down, and you *Call* him a-down-a" she means it, they must sing, and King, Queen and Leartes improvise a counterpoint to the mad songs.

I shall never again think of a "bad quarto" as being a bad play. As we have it here it is thrilling.

Siamese Twins/Everyman, Liverpool

Charlotte Keatley

Chang and Eng Bunker were first spotted in 1824, swimming *in a Thai river*, by *a Mr Hunter* who mistook them for a two-headed monster. Dave Simpson has found an extraordinary subject for a play; the story of the first recorded Siamese twins, joined at the waist and their marriage to two American sisters. It offers an intriguing plot and a ready-made theatrical analogy for exploring themes *of privacy, loneliness* and sharing.

Unfortunately, Dave Simpson's script focuses on the literal rather than the psychological problems, assuming that the audience will be primarily interested in how the twins went to the toilet, got undressed and above all, how they got their arms and legs in the right places once they were wedded to sisters Addie and Sallie Yates. Having chosen to pursue the mundane, the play doesn't follow it through—it is one of those productions where the lights cut just as we get to the bed scene, or the wives rush into the operating theatre just in time to stop the knife descending to cut the vital cord which *connects the twins*. The result is a melodramatic structure which diminishes the credibility of *the situation*.

The device of an M.C character snapping his fingers as if to conjure up each scene (which means two or three minutes) only succeeds in breaking up the continuity.

The play is set in a circus ring to *remind us* of *Chang* and Eng's early career as freaks before they settled down on their farm in America. For what is presumably intended as an unrestrictive, all-purpose set, the green and red wooden boxes proves clumsy. Director Han Duijvendak has all the characters speek-king-in-mon-no-syll-ab-bulls, perhaps to convey Chang and Eng's ethnic origin. The effect, combined with the visual tweeness and banal level of the play's analysis, is of a Playschool programme to illustrate simple fractions.

The energetic commitment of the actors, attempting to endow the characters with sensitivity is all that kept me watching. The two women have a particularly stultifying time, depicted as winsome and simple-minded Victorian maidens. Sallie Yates, played by Angela Brinkworth, summons all her frustrated acting skill to express her resentment of a marriage which has meant a lifelong tie to three other people. Neil Boorman, as Eng, produces a memorable image puce-faced, thrashing and squirming in death throes, he enacts the ghastly fate of a twin whose life-cord is also a death cord. Robert McIntosh endows Chang with a wry humour and warmth; Karen Mann as Addie, lends sincerity to the woman-to-woman dialogue.

Only towards the end *does* Dave Simpson touch on the moral and psychological dilemmas of the *ménage-a-quatre*: the religious disapproval of a provincial society for whom such a marriage seemed like bigamy; and the irony that the two identical brothers were opposites in personality and preferred lifestyle — a lifelong rift within an apparently inseparable destiny. Surely these should be the central issues of the play. *Siamese Twins* as it stands — an illustrated life story — could have been conveyed in a programme note; the real drama has yet to be written.

Scrap!/Half Moon

Michael Coveney

Bill Morrison's Scrap! was a severe disappointment three years ago at the Liverpool Playhouse. It now emerges, drastically rewritten, as a brilliant follow-up to the same author's *Flying Blind*. As in *Flying Blind*, murder, mayhem and sectarian undercover shenanigans are given the full farce treatment.

The farcical elements are less severe in a first act that must be the most spectacularly improved in recent contemporary drama. Chris Bond's production (unrecognisably superior to his own *Liverpool version*) *lays* out the play with impeccable precision.

A *Protestant schoolgirl* has been lured from Belfast by an Intelligence agent, Cleaver, who needs her father's incriminating notebooks. Through the scrap merchant's contacts, sharply characterised underworld emerges with Nick Stringer's IRA officer, a nervous homosexual stooge, a blowzy *barmaid* and a ludicrously Ortonesque Scouse policeman prominent among them. Cleaver's wife *is also* on the prowl for a large amount of backdated maintenance money. But Cleaver has a nation's problems to solve. His own can wait. Ireland matters.

A boy is found hanging in his own orange scarf with tape recorded highlights of the Rev Ian Paisley playing by his side. This image is one of many *smoky snapshots in* the evening's first half down which stalks the thunderously dangerous and *hilarious* image of Ron Donarchie's avenging father, a leaning expressionist concrete slab of a man. Mulligan wants his daughter back and in the frightening farce of the second act, her response to his order to return home with him contains the message neither Catholic nor Protestant can make heard above the atrocities.

There is no better new play in town at the moment.

Lenny Henry/Cabaret Piccadilly

Antony Thorncroft

London's nightlife roughly compares in variety, intensity and glamour with that of Oslo, Norway. For some reason the capital goes to bed with its public transport system.

So Ian Albery is to be thanked for raising the curtain at his Piccadilly Theatre for some after-hour cabaret. Every Friday and Saturday at 11.15 he presents a show — a band, dancers, a comedian, a vocal group, a star followed by a disco — to keep pleasure-seekers busy until 2 am. It costs just £5—excellent value especially when first bookings include such giants of the alternative cabaret circuit as Fascinating Aida, the Joeys and Hank Wangford.

The enterprise was launched last weekend by comedian Lenny Henry who has somehow managed to become a major television personality with only a little loss of street credibility. But before his rolling-eyed gagging there was quite a build-up. It will be foolish to pretend that Cabaret Piccadilly looks like the Crazy Horse. It resembles nothing so much as a theatre after the audience has gone. A tinsel curtain hides the set of the current production, *Pump Boys and Dinettes*, and apart from a bar at the back of the stalls, a sad memory of *the days when* "Y" *bled its* backers white here, there is little in the way of atmosphere.

Fortunately that comes from the stage, especially from resident comedian Arthur Smith who found it easy to score off a well-primed audience. He made way for Mint Juleps, yet another a cappella chorus of five girls who do not take their "doo-wop" *material too seriously*. By the time Mr Henry added the metropolitan touch, Cabaret Piccadilly seemed the only place to be in London. The entertainment might be too parochial for tourists, but whose city is it?

Alexeyevs/Wigmore Hall

Paul Driver

Married couples do not necessarily make the best musical marriages, even when the partners are pianists of the calibre *of Dmitri and* Tanya Alexeyev. Their recital of four-hand duets by Schumann, Schubert and Brahms at the Wigmore Hall on Sunday revealed combined talent of a rather lower order than either Dmitri's individual genius or what one may suppose to be Tanya's prowess.

They seemed to have made the fatal mistake of compromising their abilities— the result being a neutral, often prosaic accomplishment. Dmitri, always taking the bottom part would conjure up something interpretively distinct, something characterful only to have his wife glide over his suggestion indifferently. *Dmitri would seem to accede* to this, and no doubt he, too, resisted his partner's advances.

Schubert's F minor Fantasy was the main casualty of the affectionate give-and-take. It sprawled amiably rather than proceeding decisively in an emotional direction. The first bars, which always give the game away in this piece, did so whatever the rippling bass promised, the famous treble tune did not intimate, by means of poetry or force, a stern command of the music to follow. The reading was duly calm, competent and dry. Although the marvellous F sharp major melody was beautifully taken, there was a general lack of magically sparkling tone.

Schumann's Twelve Pieces for Younger and Older Children, Op 85, also needed a more *marked interpretation*, a surer intention. Perhaps surprisingly, they are full of odd touches of melodic and harmonic dissonance which can easily sound like the composer's vagary or the performers' mistakes. In fact Tanya Alexeyev did slip now and again—though not injuriously in their rapt account of the *concluding* "Evening Song."

They were definitely most at home with Brahms's Hungarian Dances, eight of which were scintillatingly, liltingly, evocatively despatched.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday

March 1–7

Opera and Ballet

WEST GERMANY

Hamburg, Staatsoper: Zemlinsky's rarely played Der Kreidekreis with Beatrice Niehoff and *Guillermo* Sarabia. Der Liebestrank with Giuseppe Taddei, Neil Shicoff and Judith Blegen. Der Rosenkavalier with Brigitte Fassbänder as Octavian, Anna Tomova Sintow and Helen Donath. La Bohème, in Italian, with Ileana Cotrubas, Anna Tomowa-Sintow and Bernd Weikl.

Frankfurt, Oper: Der Fliegende Holländer with Dunja Vejzovic as Senta; Don Giovanni with Jill Gomez, Manfred Schenk and Paula Page; Der Zigeunerbaron conducted by Volkmar Olbrich.

Cologne, Oper: La Gazza Ladra, with Carlos Feller and Janice Halls. Idomeneo with Delore Ziegler and Josef Protschka: Katya Kabanova, produced by Harry Kupfer.

Stuttgart, Württembergische Staatstheater: Philip Glass's Akhnaten produced by Achim Freyer with counter-tenor Paul Esswood.

ITALY

Rome: Teatro dell'Opera: Three Ballets: Taquita based on choreography by Marius Petipa. Isadora with Maya Plissetskaya and Carmen Suite by Roger Shedrin (461755)

Milan: Teatro alla Scala: Zeffirelli's new Swan Lake with choreography by Rosella Hightower, conducted by Lorin Maazel. (809126).

Genoa: Teatro Communale dell'Opera: Marriage of Figaro conducted by Alexander Sander (542792).

Palermo: Teatro Massimo: Don Carlos conducted by Peter Steinberg (581512).

Parma: Teatro Regio. Samson and Dalila by Saint Saens conducted by Henri Gallois with Fiorenza Cossotto, Giandomenico Bisi, Alessandro *Cassis* and Carlo Cossutta. (22003).

Naples: Teatro San Carlo: Merry Widow conducted by Daniel Oren with Raina Kabaivanska, Mikael Melbye and Daniela Mazzucato and Max Rene Cosotti. (418266).

Verona: Arena di Verona: Gluck's Orfeo ed Euridice *conducted* by Massimo de Bernart and directed by *Giancarlo* Cobelli with scenery and costumes by Maurizio Balo. (23520).

VIENNA

Staatsoper: Falstaff conducted by Zedda with Lorengar, Ludwig Miltscheva; Swan Lake choreographed by *Nureyev*; Simon Boccanegra conducted by Erede with Freni, Ghiaurov; The Barber of Seville conducted by Zedda with Ghazarian, Slania, Dickie Ghiaurov, Luisa Miller; Raymonda choreographed by Nureyev

Volksoper: The Magic Flute; The Gipsy Baron; Viva La Mamma; Land des Lachelns; Orpheus in the Underworld; Hello Dolly.

PARIS

Doctor Faustus alternates with Soirée de Ballets, two premiers by young choreographers, David Bintley and Nils Christe, and Balanchine's Crystal Palace at the Paris Opera (7425750).

LONDON

Royal Opera, *Covent Garden*: Bellini's I Capuleti E I Montecchi, which enjoyed a successful first Covent Garden showing last season, returns with a new set of principals and conductor – Tatiana Troyanos (long absent from this theatre) and Katia Ricciarelli as Romeo and Juliet, the Dane Michael Schonwand in the pit. More of the Handel centenary production of Samson, with Jon Vickers *returning to one of his greatest roles* here after a gap of at least 26 years. (2401066).

English National Opera, Coliseum. Count Ory, a perennial ENO favourite, returns with a largely new cast, including Isobel Buchanan, Jane Edward, and Anne-Marie Owens, but led by John Brecknock's long-admired account of the title role. *Last performance* of Tristan, in which Kenneth Woollam takes over the tenor role, and Lionel Friend the conductor's post; *also further performances* of the new Xerxes, conducted by Charles Mackerras, and of the ENO's "smash-hit" Rigoletto. (8363161).

Royal Opera House, Covent Garden. The Royal Ballet presents a triple bill featuring Balanchine's Ballet Imperial, MacMillan's Different Drummer and Ashton's Facade.

NEW YORK

Metropolitan Opera (Opera House): Thomas Fulton conducts last season's new production of Ernani, starring Montserrat Caballe, Ermanno Mauro, Pablo Elvira and Paul Plishka. Die Meistersinger, conducted by *James Levine*, features Mari Anne Haeggander, Edward Sooter and David Rendall. *James Levine* also conducts the premiere season of Nathaniel Merrill's production of Porgy and Bess, designed by Robert O'Hearn, with sopranos Grace Bumbry and Myra Merritt, bass Simon Estes and baritones Charles Williams, Gregg Baker and Bruce Hubbard. Lincoln Center (3626000).

Joffrey Ballet (New York State Theatre): *A four-week* season begins with an opening night gala and week long performances of the New York premiere of John Cranko's choreography of Romeo & Juliet, staged by Georgette Tsinguirides with James Canfield and Patricia Miller in the title roles (from Wed). Ends March 31.

TOKYO

Tokyo Opera Company: The Marriage of Figaro Toshi Center *Hall* (Wed. Thurs) (2634373)

The Road to Mecca/Lyttelton

Michael Coveney

Athol Fugard's new three hander, in a tightly controlled production by the author, is a long night's journey into day in the eccentric home of a reviled Afrikaaner artist. Miss Helen is based on Helen Martins, a sculptress Fugard heard about in the Karo desert roughly half-way between Cape Town and Port Elizabeth. Her house was surrounded by odd gothic statues and constructions some *people took to be blasphemous*.

Like *Master Harold*, the play simmers tantalisingly for an hour or so before bursting into theatrical and argumentative life just when you feel you might as well be listening to *it on radio. And, as usual*, Fugard's sureness and skill just about compensates for the stodginess and loaded metaphors of the writing. No harm is done by the blazingly powerful performances of Yvonne Bryceland as Helen and Charlotte Cornwell as the white teacher from Cape Town who has driven for half a day to visit her.

After a chance meeting, the two women have kept in touch but Elsa is here this time because of a letter that reads like a suicide note. It emerges that Helen is to be ejected from her house by the Church Council and placed in a Sunshine Home for the Aged. Stones have been thrown, there has been a fire. Helen is arthritic *and her eyes* are failing. But her hands have been damaged. Her loss of what Christians call faith corresponds to a turning away towards Mecca in her work and in her house, which Douglas Heap has designed as a candle infested glittering grotto of peculiar lurid colours.

Similarly Elsa has a tale of private grief that eventually emerges and joins symbolically with her account of meeting a displaced farm widow en route to this Karoo village of New Bethesda. Displacement and dispossession, the twin Fugard themes, receive a further variation in the second act figure of the clergyman *Marius* (Bob Peck ageing up and creakily convincing). He has the form of admission to the home for Helen to sign. Does he, like the community resent the widow's freedom and oddness, or does he genuinely not understand her and want the best for her?

A *widow for* some years, Helen has dared to be different. From here we progress to a stretch of loaded writing about light and candles, gleams of courage and so on, but a theatrical statement is found to both justify the preamble and bring Ms Bryceland to the boil in a wonderful speech; her skin seems to come alive and glow like transluscent parchment.

The Afrikaaner priest has his reply, but the final answer is not all that clear cut and Charlotte Cornwell caps one of her finest performances with a shattering removal of the emotional stopper and thus obliterates the rather tame memory of her marking schoolbooks in silence for the preceding hour.

'Times' exhibition in British Library

Signs of The Times: The First 200 Years of the Newspaper will be in the Crawford Room at the British Library from March 22 to June 30, to celebrate the bicentenary of The Times. The exhibits are mainly from the British Library Newspaper collections, but will be supplemented with material from *The Times* archives.

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Controls over state industry

THE BRITISH Treasury and the nationalised industry chairmen have been circling each other warily for six months now without reaching agreement over the sensitive issues involved in the Government's desire to tighten and standardise its control over state monopolies.

The main difficulty arises because the Treasury, increasingly anxious to assume the role which has hitherto been largely undertaken by the individual sponsoring departments, has twice published detailed proposals for a new and reforming Nationalised Industries Bill without first laying down the framework within which they are to apply.

If the chairman and board of a state industry are to be no more than a *de facto* management committee for the Government, then clearly the Treasury can apply whatever targets, conditions and controls it likes and demand their instant implementation. Apart from the fact that Whitehall does not always know best, particularly about business management, the key drawback is that it would be impossible to attract the requisite calibre of personalities as board members and chairmen.

Dynamic

If, on the other hand, the chairmen are to be dynamic businessmen charged with organising the best management possible on behalf of the taxpayers who have poured tens of billions of pounds into these industries over the years, then they need some room for manoeuvre.

Mr Peter Rees, Treasury Chief Secretary, who can genuinely be said to have the taxpayers' interest at heart in this issue, should consider seriously the suggestion made by the chairmen last week that they should quickly draw up a discussion paper on the relationship between the industries and the Government. But this conundrum has been around for some 40 years. Nationalised industries and their finances are firmly in the political arena and in the end it is the politicians who have to give the lead.

Most of the Treasury arguments are soundly based. For example, the higgeldy-piggeldy collection of separate state industry statutes needs to be reorganised on a more rational and consistent basis. There is no reason not to have common practice on matters such as borrowing powers, presentation of balance sheets, rules of appointment of board members, audit procedures and the like. The present mix of historic cost and current cost accounts should become a uniform system of current cost accounts modified to take some account of inflation.

Comprehensible

This would not only improve financial control: it would make more comprehensible to the industries' "owners" — the public—the true state of affairs. The present practice of minimising profits with current cost accounts and minimising losses with historic cost is a bewildering nonsense.

It is also clearly right that the Treasury should be able to set financial targets, spanning three to five years, with statutory backing. And within this, it is in the long-run interests of the taxpayer that rational economic pricing should be aimed for unless other considerations, such as the crucial economic effect of energy price changes on consumers, occasionally dictate otherwise.

Each industry needs a different approach which can be achieved only if the chairman is in broad agreement with the general policy objectives of the Government of the day. Some vigorous divergence of opinion on issues can be both desirable and healthily creative. But if common policy objectives cannot finally be agreed, the Government needs the flexibility to change chairmen, albeit with apropriate compensation and, perhaps, only after trying to agree policy objectives with the entire board.

However, there is a limit to the Government's legitimate sphere of interference. Once the agreed board and chairman are in place, they need to be left, within reason, to get on with running their industries in the way they consider best for meeting their medium-term targets. Persistent intervention and target-changing by the Government for short-term economic reasons, such as difficulty with the annual autumn public spending negotiations, needs to be deterred strongly, perhaps by requiring such intervention first to be put to and approved by a House of Commons Select Committee.

There may not be enough consistent ministerial control now—but too much would damage effective management. The chairmen and Treasury should now stop the circling and come down to earth.

Common sense in Central America

TIME and again passion and rhetoric have undermined a rational approach to solving the conflict in Central America. It is, therefore, gratifying to be reminded that a minimal level of common sense can prevail.

The Contadore peace plan has long seemed the one viable project capable of reconciling the Marxist-orientated Sandinista regime in Nicaragua with its conservative, U.S.-backed Central American neighbours. Colombia, Mexico, Panama and Venezuela—the Contadore nations—have put an enormous amount of energy into the plan since it was first mooted two years ago.

Yet, since December, the Contadora initiative has been paralysed by a diplomatic row between Costa Rica and Nicaragua over an obscure incident involving the right of asylum of a Nicaraguan student in the Costa Rican embassy in Managua. Costa Rica, supported by the rest of Central America, maintained that if Nicaragua failed to respect the right of asylum, then it could not be expected to respect any regional peace treaty.

Thankfully, the matter is on its way to being solved, largely as a result of informal contacts with the two governments by the members of Contadora. The Nicaragua student is to be given asylum; and as a symbolic quid pro quo one of the prominent anti-Sandinista politicians operating from Costa Rica is to be expelled. To have achieved this from such apparently entrenched positions suggests that the Contadore nations can be effective mediators. Just as important, it reaffirms what had been sorely lacking in recent months among the countries of Central America—a political will to move towards agreement on the peace plan.

Concession

The Contadore plan centres on a series of agreements on the withdrawal of foreign troops and military advisers, verifiable levels of weaponry and armed forces strength, plus guarantees of non-aggression. These are not easily attainable objectives, but they are possible on two basic conditions.

The first is that Nicaragua is willing to provide the necessary facilities to verify its own troop levels and the departure of most of its Cuban and East European advisers. Last week, President Ortega offered some new concessions in respect of both new armaments and cutting back on Cuban advisers.

The second condition is that the U.S. throws its weight behind the plan. The U.S. administration is still clearly split over whether to do a deal with the Sandinista Government or to push for its removal by supplying the "contra" guerillas. Last week, for instance, the White House dismissed President Ortega's offer on curbing the acquisition of new arms and sending home some Cuban advisers as a propaganda ploy. But the same day, the Secretary of State, Mr Schultz, announced he would meet President Ortega in Montevideo over the weekend. The meeting produced no surprises, but it suggested that at least part of the U.S. administration is still anxious to maintain a diplomatic option.

However, this diplomatic option appears to play second fiddle to President Reagan's main current objective. He appears determined to obtain congressional support for new covert funds for the contras, whom he now refers to as "brothers." His latest statements underline his desire to remove the Sandinista system from Nicaragua using the "contras" as the tool.

President Reagan is thus in the curious position of seeking public support for covert funds to overthrow a government with whom the U.S. still maintains diplomatic relations. This is a position which many of America's friends both in Latin America and Europe find uncomfortable to support and believe damaging to America's world image. They want the U.S. to give whole-hearted backing to a treaty that will ensure the responsible behaviour of the Sandinista regime, rather than attempt to overthrow it.

THE AL-FAYEDS BID FOR FRASER

Harrods casts its spell again

By John Makinson

THE NEWS that the Al-Fayed brothers were prepared to pay no less than £615m for the privilege of owning House of Fraser provoked scarcely any comment on the trading floors of the Army & Navy store in London's Victoria yesterday morning.

The sales assistant at the tobacco counter greeted the suggestion that he would soon be stocking up with Egyptian cigarettes with a wry smile and the comment that he would stock anything that sells. Five years of newspaper headlines and guerrilla warfare in the boardroom have had no perceptible effect on the attitudes of the shop floor.

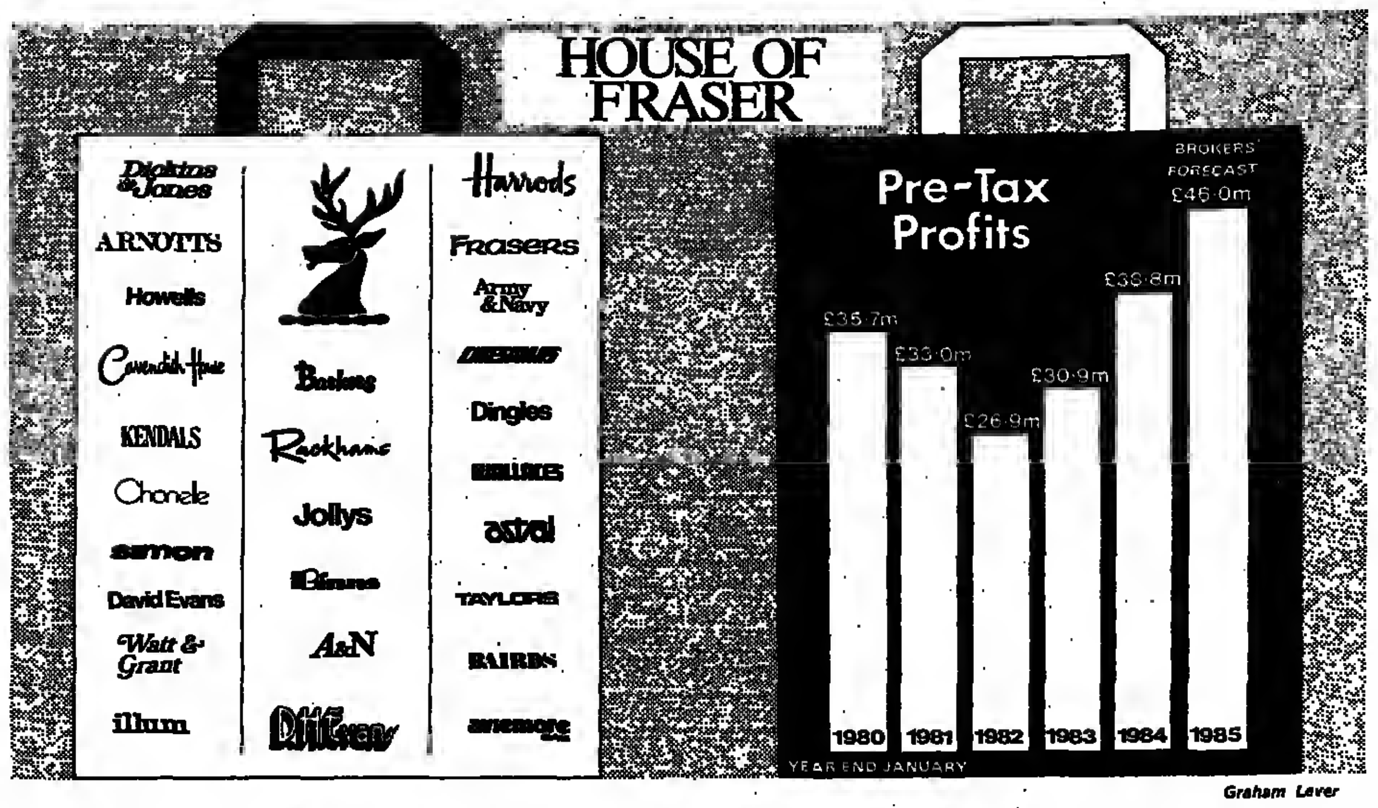
Yet something must have changed in that time. When, in 1980, Professor Roland Smith was appointed chairman of House of Fraser to improve the profits of the department stores and resist an attempted takeover by Lonrho, House of Fraser was valued in the stock market at around £150m. Yesterday's agreed bid of 400p per share was worth more than four times that figure and the market believes that Lonrho might offer even more. Lonrho sold its 29.9 per cent stake in Fraser to the Al-Fayeds in November for 300p per share but has hinted since then that it would be interested in making a fresh offer if it won clearance from a Monopolies Commission report which is due to be published shortly.

Prof Smith admittedly arrived at a particularly low ebb in the company's fortunes. The group's department stores were widely seen as lacking central direction from Sir Hugh Fraser, the then chairman, and his fellow directors. The stores themselves were run on very conservative lines and had failed completely to respond to a changing retail climate.

House of Fraser, very simply, had two assets: Harrods, one of the finest brand-names in the world and a spectacular retailing prospect; and roughly 100 other stores which would have been worth far more to a property developer than to a retailer.

It is the first of those assets which attracted Lonrho to House of Fraser and has now enticed the Al-Fayed brothers to make a bid. The Egyptians are familiar with illustrious brand-names—they already own the Ritz Hotel in Paris—and clearly envisage making more out of the Harrods name. Extending its use in the UK might undermine the exclusive reputation of the Knightsbridge store but, as Prof Smith points out, the name could be used internationally as a franchised brand and could even add a touch of class to financial services.

Moreover, Harrods itself is making splendid profits at present, thanks to the strength of the U.S. dollar. Harrods normally accounts for about half of House of Fraser's profits but, with American tourists thronging the doors, the proportion is currently even higher. In the year to January 1985, Harrods could have made a profit of about £30m on sales of over £300m.



Graham Lever

But no one would suggest that Harrods alone is worth £600m or more. Whoever buys House of Fraser also inherits a string of department stores, trading under a host of different names, up and down the country. Besides owning the top people's shop, House of Fraser is by far the country's largest operator of department stores, and the general view outside the industry is that the hour of the department store is past.

This is an attitude that, not surprisingly, makes House of Fraser bridle. Mr Bill Crossan, the group's deputy chairman and managing director, is particularly vehement on the subject: "I've been working in this business for 43 years and the arguments now are the same as they were then. The fact remains that we've held our share of the retail market."

House of Fraser points out that many of the UK's exceptionally strong chain stores—notably Marks and Spencer—are now moving in the department store direction by offering a wider range of product. Fraser is convinced that, so long as the merchandising is good, department stores have a prosperous future. If it is right, the eventual owners of House of Fraser may be acquiring an attractive investment. If it is not, £600m will soon look a very luxurious price.

If anyone can make a go of department stores, it should be House of Fraser. The group occupies prime sites in many cities and the store names—such as Dingles and Rackhams—attract a good deal of customer loyalty. The Harrods association does the other stores no harm while those outlets are themselves big and prestigious enough to attract top quality retail management.

"Our policy," says Mr Crossan, "is to have the best store in each town; it will give the best service and be the most pleasant place to shop." The problem is that, like the other department store groups, House of Fraser is being squeezed hard by the chain stores on one side and a new generation of specialist retailers, such as Habitat or the rejuvenated Burton Group, on the other. As the quality of merchandise has improved in the chain stores, department stores have lost their premium appeal and are being driven to try to attract a younger and less affluent market.

Yet they retain all the traditional disadvantages of the department store concept—a very wide range of goods which entails high stock levels and makes it difficult to establish a single merchandising image.

House of Fraser is alert to all these difficulties and stresses what has been done already to overcome them. Over the past two years, the group has undertaken capital expenditure of around £80m, mostly to refurbish its existing stores. It has, when necessary, sold underperforming assets or reduced them to a profitable size.

Barkers of Kensington, for example, is generating the same amount of sales as it did three years ago with double the floor space. Then it was losing £1m a year; now the store is profitable. Indeed, Fraser expects that every one of its outlets will have made money in the year to January—an achievement unrivalled in living memory.

The group has cut back on stocks and introduced new and younger management at all levels. Last week, Professor Smith says, Harrods appointed 19 new departmental managers, all of whom were under the age of 26.

Fraser has also centralised its buying and merchandising operations. Under Sir Hugh Fraser, each store more or less had carte blanche to buy and display whatever it saw fit. As a result, the group as a whole presented no coherent image and made little use of the available economies of scale. A year ago, the group brought in design consultants — Management Horizons—to freshen up the appearance of its stores and sought to present a more consistent and appealing product range. Professor Smith accepts that this particular battle is not yet won: "As you go round the stores, you see younger styles better presented. But it will take time to get the new merchandising concept across."

This view is shared by some of Fraser's suppliers, who are not convinced that the group has yet adopted a recognisable merchandising strategy.

Fraser itself believes that far more profit can still be unlocked from its high street properties. The group has, for example, linked up with Allied Hambro to sell financial services in its stores. It hopes to sell life insurance, credit cards and personal loans over its counters.

But even accepting that Fraser has both the promise and the potential, it would not be realistic to attribute a dazzling value to its 100 department stores. Several public companies have run the properties through their calculators and the consensus view is that, Harrods aside, the retailing operations are worth between £150m and £175m as going concerns. Their average return on sales is estimated to be well under 5 per cent and many of them have yet to show a proper return on capital.

The Al-Fayed brothers apparently plan no changes to either the senior management of House of Fraser or the strategy now underway. So, in order to justify a price of over £600m, they must either see potential in the department stores which everyone else has missed or they must be counting on quite exceptional profits growth from Harrods. Mr Geoffrey Maitland-Smith, chief executive of Sears Holdings, has admitted in the past to an interest in buying House of Fraser. But yesterday he abandoned the idea: "a public company with shareholders could not justify a bid at this sort of level."

The Lonrho view has so far been rather different. If the Monopolies Commission gives the company the green light to bid again for Fraser, there is a good chance that it will mount another offer. To Mr Tiny Rowland and the brothers Al-Fayed, ownership of Harrods appears to be worth almost any price.

BROTHERS WITH A PASSION FOR PRIVACY

"I ASSUME you've got the cash to bid?" The question was addressed to Mohamed Al-Fayed by a House of Fraser director during last week's hectic negotiations by the Al-Fayed family for future control of the stores group.

It was a question with some point. Little is known in the business community about the business affairs of the Al-Fayed family in Britain. Bankers usually observe that they are "immensely rich" and then become rather taciturn on the detail.

But the established worth of the Al-Fayed family was, nevertheless, enough for Britain's largest merchant bank, Kleinwort Benson to say that the family were able to finance the take-over of the Fraser stores group.

The Al-Fayeds are said on paper to be worth over £1bn. The Al-Fayed brothers — Mohamed, the brains of the business empire, Ali and Salah—are fourth generation Egyptian money. Their great grandfather founded the family's financial dynasty growing cotton on the banks of the Nile and exporting it in his own ships to the UK.

Mohamed has a fleet of freighters in the Mediterranean. His business interests include the Ritz Hotel in Paris and a large block of property in Park Lane in London's Mayfair. The Mayfair property is used as a London base and is defended like a fortress. Not only are the Al-Fayeds obsessively private in their business dealings; they are also concerned about their safety. They own property in New York, and a Scottish castle. Mohamed's son, Dodi, was sent to Sandhurst.

The Al-Fayed family is probably best known in the British business community for the role it played in helping to secure contracts in the Middle East for British construction companies. They even had an earlier association with Lonrho when the family, which held a large stake in Costain at one time, sold it on to Mr "Tiny" Rowland. An Al-Fayed sat on the Lonrho board at one stage but the relationship was by all accounts not happy.

More recently, the Al-Fayeds are understood to have played a role in securing the Sultan of Brunei the ownership of the Dorchester Hotel.

Mohammed and Ali have sat on the Fraser board since January following the purchase of their shareholding where relations are said to be "harmonious." Professor Roland Smith, the Fraser chairman, meets Mohammed about once a week.

The Al-Fayeds envisage no change in the management and employee structure of Fraser. Prof Smith is expected to be asked to become full time chairman and chief executive. "They are interested in broad policy and not detail," said Prof Smith yesterday.

John Moore

Men and Matters

Inside politics of space

Jake Garn, the U.S. senator who is due to fly in a space shuttle shortly, may have cause to regret his taste for adventure before the four-day mission ends.

The price he must pay for being the first professional U.S. politician to travel in space will be to act as a human guinea pig for study by the rest of the crew.

A fit and proper role for a politician, some may argue. Poor Garn is to be wired with sensors so that whatever happens inside his body will be a matter of public interest.

Quite the most undignified part of the job will be a session during which microphones will be attached to his stomach for a live playback of rumbles within.

The other astronauts will be particularly interested in recording Garn's reactions when he is feeling sick. Unhappily for him, it is a likely happening. Most space travellers suffer at least some degree of nausea during the first couple of days aloft. During these unpleasant spells the luckless politician will be expected to fill in charts to indicate just how rotten he is feeling.

The astronauts seem to have their own means of ensuring that space should not become just another playground for the politicians.

"I've never known it so crowded—they can't all be rival bidders"

Time stamped

The pace of life in England is not far behind that of Japan and the United States, it seems—but, perhaps, healthily short of that "chronic sense of urgency" that begets heart disease, ulcers and alcoholism.

Robert Levine, a psychology professor at California State University, has just published in the U.S. magazine, Psychology Today, the results of his research into the time-consciousness of six countries—Japan, U.S., England, Italy, Taiwan and Indonesia.

Levine used three basic measurements: the accuracy of clocks in banks, walking speed in cities, and the time taken by post office clerks to sell a stamp.

Japan came top in all three categories. Its postal clerks took an average 25 seconds to sell a stamp; and its bank clocks were an average half-minute fast or slow.

The U.S. occupied second place in two categories. But Americans were not so quick on their feet as the English, who clocked the second fastest time walking the streets of London and Bristol at a rate of 100 ft in 21.6 seconds, against the Americans' 27.5.

Having just queued 15 minutes for a postage stamp, I was a bit surprised to find the British Post Office was third fastest at selling stamps. But apparently the time was only clocked at the counter.

And the difficulties of buying a stamp in London, anyway, are nothing compared with Levine's experience in Indonesia. In Jakarta, he was directed outside a post office to a group of postling stamp vendors. In another city he found the staff of the post office playing volleyball when he arrived on a Friday afternoon.

Pop pills

A notable chapter in the history of the drug industry closed last week with the expiry of the U.S. patent for Valium, Hoffmann-La Roche's popular tranquilliser. A welcome replacement for barbiturates in the 1960s and 1970s, Valium was long the world's best-selling drug with sales over $1bn worldwide.

Sales have been tailing off, however, for some time. Excessive use of the product, it was discovered, can lead to addiction—a problem to which Hoffmann-La Roche readily admits.

But nothing to rival it for relieving anxiety has yet been found either by the Swiss group itself, or its competitors.

Valium now ranks sixth in the U.S. league table of top-selling drugs with sales of around $200m. SmithKline's Tagamet, an ulcer drug, is in first place, followed by heart drugs and a birth-control pill.

In Britain, Valium has taken a knock from the Government which has decreed that NHS doctors may no longer prescribe it by name after April 1.

William Gerrard, Roche's UK chief executive, said yesterday that the group had not yet decided how to cope with this setback. Had he tried taking Valium himself to help ease the trauma? "I've only tried it before going to the dentist," Gerrard admits. "My dentist suggested it."

Takeaways

Earnest commentators in China are trying to shore up the bastions of true communism in the teeth of a seemingly happy decline among the people towards thrills and fun.

The party newspaper, People's Daily, has registered shock and horror at lotteries on TV which preceded the Chinese New Year holidays.

"Disgusting" and "shameful" are the key words in the paper's blast at the new custom of raffling colour tellies before the cameras as entertainment for the labouring masses. Nevertheless, some 30m people participated in that particular draw.

"Do lotteries and prizes reward people who contribute to the country's wealth and power or to people's happiness?" the paper thunders. "No. Or reward inventors and hard workers? Again, no."

". . . it makes people desire what they haven't got and crave riches and it corrodes their minds."

And it is not just Chinese TV that has taken to capitalist methods. "Buy a bottle of handcream and win a holiday in Canton," proclaims one toiletries company.

Missed the boat

One important member of the House of Fraser board was missing from the weekend meeting to consider the offer from the Egyptian Al-Fayed family. Aleck Craddock, who runs Harrods, was hundreds of miles away, oblivious to the rapidly changing fortunes of the group. "He cannot be contacted," said Prof. Roland Smith, Fraser's chief.

Where was Craddock? On a Nile cruise, said Smith. "We have tried the ports but have not been able to reach him."

But while Craddock remained undisturbed, Smith himself has had his leisure moments interrupted by Mohamed Al-Fayed. "He is the only person to ring me up while I've been watching a match at Old Trafford," said Smith. "Not even Tiny Rowland did that."

Observer

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FOREIGN AFFAIRS: ARMS CONTROL

The Russians have problems, too

By Ian Davidson

THE MOST interesting feature of the U.S.-Soviet arms talks, which start in Geneva next Tuesday, is the apprehension which they are already inspiring in Europe.

Officially all European governments are delighted that the superpowers are going back to the negotiating table on this most sensitive of all issues; privately, they fear that the talks will set the stage for an almighty bust-up, either between themselves and the Americans, or between the Russians and the Americans, or both. Above all, they fear that the Russians, who used the Euro-missile talks in 1982-83 merely as an excuse for a propaganda campaign in Europe, will now repeat the ploy to an even greater effect in the new negotiations.

To greater effect, because on this occasion the governments of western Europe have as little confidence as their electorates in the strategic wisdom of the U.S. administration. Two years ago, the peace movements campaigned against the introduction of new cruise and Pershing II missiles in Europe; but whatever second thoughts their governments may have had about the necessity for the new missiles, at least it could be argued that deployment was justified as a counter-balance to the Soviet SS 20 missiles, and in three countries (Britain, Germany, and Italy) deployment has successfully started. In any case, the European members of Nato were deeply implicated in the original negotiate-or-deploy decision on Euro-missiles, and they could hardly hold the Americans solely to blame if that decision turned sour in propaganda terms.

President Reagan's commitment to star wars

The cause of today's anxiety is, of course, President Reagan's commitment to his star wars Strategic Defence Initiative. This has already been denounced on repeated occasions by the Russians, on the grounds that it will be dangerous and destabilising, and they have argued that it will put paid to any progress in the arms control negotiations. So the first danger is that the Soviet Union will again try to whip up anti-American feeling in Europe, by representing Washington as the only obstacle to an arms control agreement.

The difficulty for the European governments is that they too have profound reservations about SDI. If the U.S. seemed likely to gain a major advantage in defence against ballistic missiles, not merely would the Soviet Union have no incentive to reduce its missile arsenal, it would have every reason (in the crazy world of the balance of terror) to multiply its offensive forces so as to be able to overwhelm the U.S. defence. Advertised as a benign attempt to make nuclear weapons obsolete and impotent, SDI might thus precipitate an even more dangerous arms spiral.

In public, however, there seems to be an emerging tactical consensus not to rock the boat by expressing these reservations *coram populo*. While there may still be the occasional outburst of condemnation, as from Mr Charles Hernu, the French Defence Minister, the new party line, as formulated by Mrs Thatcher, is to draw a distinction between research and deployment: the administration's commitment to research into anti-missile defence technology should be supported, since it cannot be prevented or impeded, but deployment of any new defensive systems must be contingent on negotiation with the Soviet Union.

In practice, there is no other posture that the European members of Nato can adopt in public. They have no hold on the SDI research project, and their private warnings have done nothing to diminish President Reagan's enthusiasm for the enterprise. Until research starts to throw up some conclusions, there is and can be no clarity in the American mind about what kind of defence might be feasible or advisable. Those research results could be many years away, after President Reagan has left the scene, and by then the money, the technology and the enthusiasm may have run out. Since the European governments are likely to have even less influence on the American negotiating posture in Geneva than they did during the Euro-missile talks, and since they want at all costs to avert any damaging Euro-American split, their only option for the time being is to proclaim such support for the U.S. position as they decently can.

Ronald Reagan: enthusiasm has not diminished.

It may be, however, that European apprehension is excessive. We can be sure that the Russians will do their damnedest to whip up public opinion in Europe (and America, for that matter) against the Strategic Defence Initiative, and that will be very wearing on everybody's nerves. But it is not at all obvious that, in negotiating terms, the Russians have a particularly easy hand to play—unless, that is, they are prepared to offer very much more radical arms control proposals than they have ever offered in the past.

In the first place we should assume that, for all their huffing and puffing, this time the Russians will stay at the negotiating table. In 1983 they repeatedly warned that they would walk out of the Euro-missile talks if the new weapons started being deployed; when the new cruise and Pershings arrived, they duly walked out of these negotiations, as well as out of the parallel strategic arms talks. In propaganda terms they made a big mistake, since the Americans were still offering to negotiate, and it seems unlikely that they will be in a hurry to make the same mistake again.

Moreover, it is not particularly easy to see how they can translate their objections to the SDI enterprise in its research phase, into negotiating terms which might be verifiable. No existing treaty bans research; no treaty could effectively ban research, except by the most intrusive methods of inspection and verification, which would strike at the heart of Soviet secrecy; and the Russians are known to be conducting their own research into the same exotic technologies — lasers, energy beams—as are now fascinating the Americans. The chief differences between the superpowers are, first, that the Russians have kept very quiet about their research efforts whereas the Americans cannot stop talking about SDI, and second, that the American edge in computing power could give them an edge in this hi-tech race.

No doubt the Soviet Union will argue that President Reagan's speeches are tantamount to a declaration of intent to break the 1972 ABM treaty, which bans all but the most limited deployment of land-based anti-missile missiles, and certainly excludes any space-based exotica. But the Americans can retort that the Soviet Union is already breaking the 1972 treaty with its large radar at Krasnoyarsk, and that they are perfectly ready to negotiate before deploying anything that emerges from SDI research.

The Russians have repeatedly argued that there is an indissoluble link between defensive and offensive forces, and that there can be no agreement on the one without agreement on the other. In logical terms they are unquestionably right, and it is disingenuous of the Americans to pretend otherwise. But if the Russians want to be able to blame SDI for deadlock, then on propaganda grounds they must probably seek to out-do the Americans in offering reductions in offensive weapons.

It is sometimes said (by visiting Americans) that the sub-negotiations dealing with Euro-missiles may offer the best prospects for progress. If so, this will require a radical shift in the Soviet position, compared with 1982-83. In those talks, despite many cosmetic changes, the Russian position was immutable: they would keep a large number of SS 20s, while all new U.S. missiles would be banned. Now that U.S. deployment has started, that is no longer a tenable position; and if they want to enlist Paris and London against SDI, they will stop trying to count the British and French nuclear deterrents as justifications for the SS 20s.

In the Strategic Arms Reduction Talks (Start), the U.S. was proposing much deeper cuts in ballistic missile warheads than the Russians, and whereas the Soviet position remained granite-like from beginning to end of those negotiations, the Americans gradually modified their proposal to meet criticisms that the original plan would have required a bigger structural adjustment in the Soviet forces. If the Russians now want to persuade Western opinion that their offer on strategic weapons is so attractive as to require, and justify, a renunciation of President Reagan's SDI ambitions, then they will have to come up with something better than they did in Start. Above all, the Soviet Union must wrestle with the probability that, whatever public opinion may think, Congress is unlikely to be impressed with any offer that does not sharply reduce the perceived threat from the biggest Soviet land-based missiles.

A brief sketch of a few of the negotiating and public relations problems facing the Russians does not suggest that the Americans face no analogous problems of their own. The chief U.S. negotiator has publicly admitted that he doubts whether an arms control agreement with the Soviet Union is attainable, and there remains serious doubt whether the administration as a whole is genuinely committed to the attempt. Moreover, recent history is discouraging: in the past decade three nuclear weapons agreements have been negotiated—on Peaceful Nuclear Explosions, the Threshold Test Ban, and SALT II—and none has been ratified by the Senate. Ratification of at least the first two would go some way to bolster American credibility.

Endless negotiation and an endless arms race

The paradox is this: President Reagan's commitment to SDI may be bringing the Russians back to the negotiating table, but unless there is a quite uncovenanted rapprochement in the strategic thinking of the two superpowers, it is also likely to prevent any agreement. The most plausible prognosis is for an endless negotiation, and an endless arms race.

Lombard

Ethics and the civil servant

By Sue Cameron

DURING one debate on Whitehall ethics a civil servant noted that the vows of chastity and poverty were relative for mandarins — and that of obedience was absolute.

The guidance note on civil servants' duties, issued last week by Sir Robert Armstrong, the Cabinet Secretary and head of the home Civil Service, takes much the same line. Prompted by the Ponting affair, it suggests that civil servants who feel that their work presents them with a moral dilemma should take their consciences up to higher authority in the Whitehall hierarchy for soothing or salvaging. But it insists that those whose ethical problems cannot be solved must ultimately either buckle down and obey orders or resign.

Sir Robert's code is not new —merely a restatement of long-established Whitehall rules. As codes of behaviour go, it is straightforward, uncompromising and honourable. It is also inadequate.

The vast majority of civil servants who find themselves in profound disagreement with their political masters will be unwilling to follow Sir Robert's code because they know that to do so would blight their careers. If they voice their doubts to their permanent secretary, the Civil Service head of their department, they will be marked down as "unsound" —the most derogatory of all Whitehall epithets. And they know it. If they ask to be moved to another job, every effort will be made to accommodate them, but it is unlikely in the extreme that they will ever be given a key policy post again. And they know it. If they agree to carry on in situ, the chances are that they will turn in a lack-lustre performance, that their relationship with their ministers will deteriorate. And they are well aware of that too.

What Sir Robert's code lacks is some practical reassurance that civil servants who deeply disapprove of their ministers' policies can own up to the fact without ruining their career prospects. Dr William Plowden, director general of the Royal Institute of Public Administration and himself a former civil servant, has said that what is needed is a more flexible system which would enable civil servants to move jobs without loss of face and without loss of promotion—at either their own or their ministers' requests.

But guarantees would be needed if this seemingly sensible option were to become a workable reality. Sir Robert's mechanical-sounding assurance —given verbally last week—that civil servants' careers would not be affected if they voiced genuine objections to a particular policy, will have rung hollow in Whitehall.

Able, ambitious civil servants want jobs giving advice on policy to ministers. They are usually less interested in the more routine, administrative posts—even at the same rank. If they voluntarily cut themselves off from policy work in one area, the only way they can keep up career momentum is by transferring to another department. Given the way that Whitehall departments often tend to act like warring feudal fiefdoms, such a development might be an excellent thing in itself, regardless of ethical codes.

Ministers might also benefit. Dr Plowden has pointed out that ministers are sometimes hostile to their officials and he suspects that this reflects "their feeling of insecurity when faced with these serried ranks who may not be on their side."

None of this would stop leaks but—pace Ponting—Sir Robert himself does not believe that civil servants who disagree fundamentally with their ministers' policies normally react by leaking. He suggests that officials are more likely to leak because of discontent about career opportunities. That seems equally unlikely—if not insulting to the service.

The best leaks come when civil servants in one government department are trying to do down the civil servants—and ministers—of another government department. Where is their loyalty to the government of the day then? And where is their obedience to the Official Secrets Act? It is a nice point for writers of ethical codes to ponder.

Letters to the Editor

Unions' political funds

From Mr M. Hancock, MP

Sir,—Your report (February 25) that the Conservative trade unionists have decided not to campaign against unions' political funds in the forthcoming ballots did not surprise me in the least.

The Conservative Government, having passed the Trade Union Act requiring the ballots, obviously has no interest at all in real reform of the financing of parties—they just want to wound Labour a bit, but leave the overall system of party funding intact at the end of the day. Thus they did a deal with the TUC to keep the system of contracting-out of the political levy, instead of having a fairer, more open system under which union members that want to pay the levy can choose to do so—contracting-in. They are not even requiring unions to have clear ballots on ties with Labour —instead the new law requires ballots on the innocuous sounding subject of political funds.

Downing Street and Central Office have now instructed the CTU not to campaign at all—so much for CTU independence from the party leadership. For Conservatives are petrified that a real campaign against trade union funding of Labour would both open for public debate the equally undemocratic company funding of the Conservatives and damage beyond repair the old two-party system.

But Labour's position is equally untenable. You report Mr Bill Keys as saying "We cannot over-emphasise that the ballots are about the retention of the political fund. They are not about affiliation to the Labour Party." Of course, Labour would like trade unionists to think this. For they know, as the Union World/MORI poll confirmed, that trade unionists do not support their union being linked to Labour but do want their union to be able to campaign on political issues. Union leaders plan cynically to play on this concern in their campaign to keep the political funds. Quite misleadingly, they are suggesting that unions need political funds to lobby ministers or MPs, to raise issues in the House of Commons or to campaign on particular policy issues that affect their members, such as unemployment or privatisation. Unions have always been able to finance all their activities from these general funds and nothing whatsoever in the new Act changes this position. Moreover, when the strong possibility of such a change being made in the original Trade Union Bill was heavily criticised by Labour and Alliance MPs, the Government amended the Bill to meet these criticisms. Thus the new Trade Union Act just like the 1913 Act before it does not require unions to have political funds for any purposes other than specific party political purposes.

In 1983, more than 80 per cent of union political funds were handed over straight to the Labour Party. The SDP has called on unions to ballot their members on whether they should continue to fund Labour in this way. If they refuse to hold this ballot on Labour Party affiliation, we will be obliged to campaign against their political funds.

Michael Hancock,
(Chairman, SDP Trade Union Campaign Committee and SDP Employment Spokesman)
House of Commons, S.W.1.

Accounting for inflation

From Mr G. Simon.

Sir,—I refer to your comments (February 20) concerning inflation accounting. You mention that accounts are not prepared for finance directors but for the ordinary users of accounts such as shareholders, the implication being that a more accurate measure of management's performance would be gained by inflation accounting than the historical cost method.

A set of model accounts prepared by a leading international firm incorporating the present legal requirements totals some 50 pages. I doubt whether most ordinary shareholders find these particularly informative. If these requirements were to be extended as you suggest, the ordinary shareholder would find them even more indigestible. With respect, I doubt whether bankers would be particularly interested in accounts prepared on an inflation accounting basis and that anyone, other than the more academic investment analyst, would pay them any greater attention than they have paid them hitherto.

It is not only finance directors who lack enthusiasm for inflation accounting but other directors and executives who have to spend time on the accounting equivalent of the theological question of how many angels can be assembled on the head of a pin. The time spent on that activity, apart from costing money, could, I suggest, be better spent in ensuring that the products and services of the company with which those people are concerned satisfy their customers and are supplied in the most efficient manner. The result will be that the company will prosper to the advantage of its shareholders and employees.

UK companies already have greater disclosure requirements than their overseas competitors, many of whom are located in countries very much more prosperous than the United Kingdom. Conceivably one reason for that prosperity is that directors and executives spend more time dealing with the realities of business than the theory of how those realities are presented.

In stating in its recent letter that the responsibilities for developing inflation accounting standards rests with the accountants within the framework of company law, the Department of Trade and Industry was, I suggest, reflecting the practical attitude of its head, Mr Norman Tebbit, an attitude which is likely to appeal to the vast majority of the clients of firms of chartered accountants.

G. M. Simon,
Manor House, Aston Magna,
Moreton in Marsh, Glos.

Exemption rates for VAT

From Mr J. Troup

Sir,—Mr Inglis (February 27) makes the valid objection to the extension of the VAT exemption to £100,000 that such an extension would create an unfair advantage for traders with turnover below the exemption limit. This does not, however, affect the force of Samuel Brittan's argument that the administration of VAT for the smaller traders is time consuming and expensive both for the trader and for Customs and Excise so that the collection costs of VAT at these lower levels are disproportionately high.

I would suggest a compromise solution to satisfy both Mr Brittan's and Mr Inglis's points. Traders with a turnover of less than £100,000 per annum should be given the option if they so wish of not recovering and charging VAT as at present. Instead they would pay to Customs and Excise on a quarterly basis a turnover tax at an agreed fixed rate representing, in effect, a composite rate of VAT. This rate could either be fixed for all businesses at a level of, say, 7½ per cent or be agreed on a trader by trader basis with Customs and Excise at a level corresponding to the normal net yield to Customs and Excise for that type of business. Administration and collection procedures would be reduced dramatically while the gross yield from VAT should be largely unchanged.

The only difficulty raised by such a proposal is how the recipient of services from such a trader should be treated for VAT purposes. In principle, however, there would appear to be no reason why invoices issued by such traders should not indicate that the supplier is subject to the composite rate of VAT so that that amount should be available as an input credit to any VAT registered customer.

J. E. A. Troup,
14, Dominion Street, EC2.

Working in Nigeria

From Mr P. Turtill

Sir,—The survey on Nigeria (February 25 and 26) was very interesting and informative. Nigeria has serious problems and the Nigerians are to be admired for the steps they are taking to get their country on to a sound economic course. Indeed they do deserve to be listened to more sympathetically by HMG but a point that is not mentioned in the articles at all should not be ignored.

Many British expatriates who formerly worked in Nigeria have lost heavily through being made redundant and therefore forced to leave. Although these expatriates have paid Nigerian income tax on their salaries they have not been allowed to remit their money from Nigeria. Over 1,300 cases are known to me and the average amount owed is £7,319 per person. Very often this is many years savings, in many cases over £20,000 is involved and some of the expatriates have been waiting since 1982-83.

So far the Foreign and Commonwealth Office has not been listened to very sympathetically by the Nigerians when this topic has been raised on behalf of the expatriates.

Peter Turtill,
12, Beatty Road,
Ipswich, Suffolk.

Some causes of unemployment

From Mr M. Clear

Sir,—I understand Mr Scott's reasons (February 28) for saying that it is a curious theory that present and past greed of trade unionists is responsible for the current rate of unemployment.

In stating however, that managements are forcing trade unionists into a situation where pay is traded off against jobs to increase productivity, he misses the real point. If productivity is increased in this way it merely emphasises the fact that there were too many people employed in that company originally and this has been one of the prime causes of our lack of competitiveness with Germany, Japan and the U.S.

The problem is only clouded by trying to pinpoint responsibility of one side or the other for current unemployment.

Michael Clear,
44, Green Street, W.1.

FINANCIAL TIMES

Tuesday March 5 1985

Lack of intervention lifts dollar

BY PHILIP STEPHENS IN LONDON

THE END of the UK miners' strike brought only a temporary boost for sterling on foreign exchange markets yesterday as the absence of central bank intervention encouraged a further strong rise in the value of the dollar.

In London, sterling closed 0.4 cents lower at $1.0685, although small gains against other currencies pushed the sterling index up 0.1 to 70.9. The dollar closed at DM 3.3760, up 2.6 pfennigs on Friday's close.

The reaction of other financial markets in London to the return to work in the pits was also subdued, with share and government securities (gilts) prices showing only small gains.

Brokers said that the end of the strike had been widely discounted, while the absence of a settlement diluted the impact of the weekend announcement.

Sterling initially rose sharply against all principal currencies, but the strength of the dollar and concern over the outlook for oil prices left it little changed by the London close.

At broker Phillips & Drew, Dr Paul Neild said the rebound in economic activity after the miners' strike and an expected improvement in Britain's current account might provide some encouragement to financial markets in coming months.

The main focus of the foreign exchange markets at present, however, was the possibility of weaker oil prices as Britain's Central Electricity Generating Board ran down its oil consumption.

"The oil worry seems to be dominant and that is being reflected in sterling," he said.

That view was shared by Mr Ian Harwood, economist at broker Rowe & Pitman, who said that the end of tha strike was likely to have little impact at a time when money markets were focusing on the possibility of higher U.S. interest rates and the rising dollar.

Growing expectations of a tightening of U.S. monetary policy contributed to a strong rise in the U.S. currency's value yesterday, with foreign exchange dealers reporting that concern over central bank intervention was the only factor preventing further gains.

The desire of the U.S. Administration for the Fed to maintain its present monetary stance was reflected yesterday in reports of recent comments in Washington by President Ronald Reagan. In the current issue of Business Week, the President is quoted as saying thet he would be unhappy if the central bank shifted to a tighter policy, although equally he felt that the Fed should not ease policy in an attempt to drive the dollar down.

The Bank of England's part in the concerted intervention by central banks over recent days was reflected partially in official figures yesterday, showing that Britain's foreign exchange reserves fell by an underlying $218m last mooth to $15.35bn.

The fall is not an exact proxy for the level of intervention because several other factors affect the level of reserves.

New Zealand dollar declines, Page 4; Currencies, Page 38

Brussels presses Bonn on car pollution

BY PAUL CHEESERIGHT IN BRUSSELS

The U.S. Environmental Protection Agency announced final standards to cut the amount of lead in petrol by 90 per cent from the end of this year. It is also considering a total ban on lead in petrol.

THE EUROPEAN Commission is seeking to wean the West German Government from its dash to cleaning up car pollution by the use of three-way catalytic converters.

The Commission's approach to a crucial meeting of environment ministers, to be held in Brussels this week, was clarified yesterday when Mr Stanley Clinton Davis, the Commissioner for the Environment, made a plea for more time.

"Cheaper and more energy-efficient technologies than the three-way catalytic converter are being rapidly developed and offer good prospects," he told a Brussels conference.

"A balance of environmental, energy and industrial arguments thus suggests that such technologies should be given a chance to prove themselves before steps are taken which might irrevocably commit the European industry to the use of the three-way catalytic converters," he said.

West Germany plans a system of incentives from July next year to encourage the purchase of cars with the converters, which will, in any case, bave to be fitted on new cars from 1988-89.

Other countries such as France, Britain and Italy favour a longer-term approach, allowing the development of the new technologies Mr Clinton Davis mentioned – primarily the lean-burn engine.

The Commission is seeking flexibility on the timetable to be introduced at Community level, leading to emission standards close to those adopted by the U.S. and Japan.

The key factor at the ministerial meeting will be whether the Bonn Government can be persuaded to drop its rigid insistence on a 1988-89 compulsory deadline for the introduction of new emission standards. The only way of meeting such standards immediately is the use of converters.

Allowing scope for the development of the lean-burn engine would also involve greater flexibility on the setting of the emission standards themselves.

John Griffiths in London writes: The issue of exhaust emissions needs to be settled urgently, representatives of the European Parliament warned yesterday.

Unless West Germany reached a compromise swiftly with its EEC partners on terms close to those proposed by the Commission, Europe faced an intensification of the car sales war as a result of uncertainty continuing to depress the West German market, and possibly severe trade friction.

Sweden criticises UK on acid rain, Page 3

Canada faces EEC curb on syrup and whiskey

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Community has announced a list of retaliatory measures it plans to take against Canadian imports, including maple syrup and rye whiskey, to counter Canadian restrictions on EEC exports of beef.

Formal notification of the measures was given yesterday to the General Agreement on Tariffs and Trade (Gatt), following the failure of last week's negotiations to reach an acceptable deal on beef.

It follows a similar move last week in which the Community proposed a total ban on Canadian shoe exports, and increased customs duties on a range of other goods such as fur clothes, car radios, kraft paper, methanol and polyethylene. These were announced as compensatory measures for Canadian restrictions on EEC shoe exports.

The latest list includes increased levies or duties on Canadian beef and pork exports, and other goods such as honey, mustard seed and mustard powder, and Virginia tobacco.

The EEC notification to the Gatt allows a further 30 days for talks to resolve the disputes before the measures come into effect.

The argument over EEC beef exports follows a big increase in sales from nil five years ago to more than 23,000 tonnes in 1984. Canada has imposed a quota of 2,700 tonnes on EEC sales in the current year, which was exhausted in the first two weeks of the year.

Ireland and Denmark are the two EEC producers most affected. It is understood that last week's talks produced a revised quota offer from Canada of some 6,900 tonnes, but that was rejected by Brussels as inadequate.

The footwear dispute relates to the renewal of restrictions on imports of shoes into Canada last November.

Sudan officials 'want to sell EEC food aid'

BY QUENTIN PEEL IN BRUSSELS

EEC FOOD aid to the Sudan has been delayed because of disagreement between Brussels and the Sudan Government over how it should be distributed, Mr Timothy Raison, British Minister for Overseas Development, said yesterday.

Although 150,000 tonnes of food has been earmarked by the European Commission as aid to the Sudan, only 3,500 tonnes has so far reached the country, he said.

Mr Raison, who had talks yesterday with Sig Lorenzo Natali, the European Commissioner responsible for development aid, said one important factor behind the delay was the desire of the Sudan Government to sell the food it was given by the EEC on the open market instead of having it delivered direct to the hungry in rural areas.

"This would be a way of providing for the urban consumers in Khartoum," he said. "The Government would actually sell this EEC grain to whoever could afford it. They would then receive money and use it for different purposes."

Mr Raison, who returned recently from a fact-finding trip to the Sudan, said he supported the European Commission's view that the food should be distributed directly to the hungry. However, it was not possible for the Community to distribute its aid as it wished without the consent of the government concerned.

"We are waiting for the Commission and the Sudanese Government to come to an agreement about it," he said. The problem in the Sudan is part of a wider issue affecting much of the EEC food aid programme, Mr Raison added.

The Community has traditionally given much of its food aid to African and other governments as a form of financial subsidy rather than for direct relief of hunger.

UK miners face further unrest

Continued from Page 1

back miners convicted of serious offences.

A further indication of a harder managerial line came from Mr Ian MacGregor, the NCB chairman. He made it clear thet he and his board officials will follow a policy of consulting directly with the industry's workforce, rather than follow traditional procedures of communicating largely or only through union initiatives.

The pit supervisors' union, Nacods, is to attempt to use the agreement it gained from the NCB last October to force the board and the NUM to reach an agreement. In that agreement, the board undertook that the five pits marked for closure would remain open, and that "they will be considered in common with all other pits under a modified colliery review procedure."

Mr Peter McNestry, the Nacods general secretary, said yesterday that until the union agreed to the modifications in the review procedure – designed to provide an independent element – no pits could be closed under the terms of the agreement.

Mr Scargill said that be was "bursting with pride" over his members' conduct during the strike. He warned once more of "guerrilla warfare" in the pits.

The NUM executive meets on Thursday, when it is expected to decide to keep its overtime ban – a decision which will effectively preempt any negotiations between the union and the board on the outstanding 5.2 per cent wages offer, or any other issue.

Peter Riddell, Political Editor, writes: The Conservative Government is insisting that miners should return to normal working before their deferred pay increase is paid and the appeal machinery for dismissed miners can operate fully.

In a House of Commons statement yesterday, Mr Peter Walker, the Energy Secretary, brushed aside tha decisions by the Scottish and Kent areas to stay out. He argued that it was "in the interests of miners that normal working starts as quickly as possible including the removal of the overtime ban." He stressed the plans for substantial investment.

Both Mr Walker and Mr Peter Rees, the Chief Secretary to the Treasury, refused to give an updated estimate of the cost of the strike. This is unlikely to be revealed until the budget speech in a fortnight on March 19.

In reply to Conservative backbench pressure for changes in the structure of the industry, Mr Walker said that immediate consideration was being given to privatisation.

In general, Mr Walker followed the Government's agreed approach of not gloating, although some Conservative backbenchers did jeer and laugh at Labour Party claims, particularly one by Mr Tony Benn that historians would see the strike as "a turning point in the battle against monetarism."

Much of yesterday's exchanges turned on whether an amnesty should be offered to sacked miners. Strongly backed by Conservative MPs, Mr Walker said that men convicted of violence against people or property could not be taken back. He made a distinction between these cases and minor offences which might not warrant sacking, adding that each person would be dealt with individually by area directors and would have the right to appeal.

Mr Neil Kinnock, the Labour leader, drew a similar distinction in an earlier broadcast, arguing for a "common sense approach giving an amnesty to most sacked or suspended miners via the disciplinary procedures. That should be adopted in all cases other than those, a tiny minority, guilty of serious crimes against people or property."

MBB eyes Canadian state aircraft groups

By Peter Bruce in Bonn and Robert Gibbens in Montreal

MESSERSCHMITT-Bölkow-Blohm (MBB), West Germany's biggest aerospace concern, yesterday disclosed that it had begun a study of the business prospects of Canadair and De Havilland, Canada's two nationalised aircraft producers.

The move heightened speculation that MBB might be interested in taking control of, or buying into, either of tha companies, which Canada's new Conservative Government is keen to privatise.

The possibility of a West German bid was brought to light last week when Mr Sinclair Stevens, Canada's Industry Minister, paid a brief visit to Munich.

Mr Stevens met Herr Franz Josef Strauss, the Bavarian Prime Minister, who is also chairman of the supervisory board of Airbus Industrie, in which MBB has the major West German share. According to the Canadian Embassy in Bonn, Mr Stevens also met senior MBB officials.

The two Canadian companies are owned by the state-controlled Canada Development Investment Corporation (CDIC), whose president Mr Paul Marshall, has been put in charge of privatising them and several other Crown corporations owned by CDIC.

Mr Marshall has said he has received about 13 inquiries – including one from MBB – and hopes to complete the sale of one or both companies within the next six months.

Aircraft industry sources are sceptical that Mr Marshall can complete a sale by then. Canadair's links with Boeing, the world's biggest aircraft manufacturer, would make the company's participation in future Airbus programmes highly problematical, they said.

It is also understood that potential bidders, which include several other Western aircraft manufacturers, believe Canada has set too high a price on the two companies, both of which have been plagued by heavy losses.

No estimate of the value of either company has been made. Mr Marshall, however, says any successful bidder would have to provide firm commitments for a manufacturing programme at both companies, which the Government intends to maintain as going concerns.

Canadair, maker of the Challenger executive jet, airframe parts and defence equipment, had operating profits of C$4.8m ($3.45m) in the first nine months of 1984 on sales of C$328m. Earlier last year, the Government took over C$1.4bn of Canadair's debt and injected more than C$300m of new capital.

De Havilland lost C$19.8m in the first nine months of 1984, down from a deficit of C$123m a year earlier, on sales of C$160m.

Textron puts Bell unit up for sale

Continued from Page 1

$48m or 29 per cent of the total $193m in operating earnings in 1983.

Despite this Bell Helicopter, which claims to have built 26,000 helicopters since it was formed – more than all the other leading helicopter manufacturers combined – is still one of the world's largest helicopter manufacturers producing a wide range of equipment. It's major U.S. competitors include the world's largest helicopter maker, United Technologies' Sikorsky aircraft unit, Boeing Vertol and Hughes Helicopters.

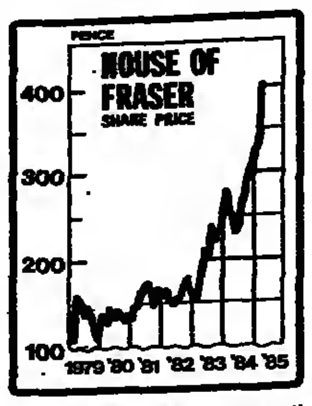
Robert Gibbens in Montreal adds: Textron's decision to sell Bell throws into question the future of its new plant near Montreal, and development of a new helicopter engine by Pratt & Whitney Canada.

The programme requires investment of C$700m ($507.2m)

THE LEX COLUMN

Harrods banks on the Nile

The London equity market has been nothing if not consistent in its reactions to the miners' strike. Having persistently refused to worry about it while it was going on, it has now decided not to celebrate its end. A rise of less than 1 per cent in the All-Share yesterday fell some way short of ecstasy.



Al-Fayed/Fraser

It may be too much to hope for but it looks as if the longest running soap-opera in the stock market – the battle for control of House of Fraser – is at last drawing to a close. Yesterday's offer of 400p a share from the Al-Fayed brothers may not be quite the final word on Fraser's future ownership, but since it represents a price tag of £615m, the chances of a serious counter bid must be exceedingly slim.

That is partly because the bid is about as high as any reasonable calculatioo could come up with – as a value for the Fraser business. Harrods is probably going to make the best part of £30m this year, out of a pre-tax total of around £50m, and is internationally ragarded as an unequalled collector's item among UK companies. Given the likely high tax charge, this means that the Al-Fayeds are proposing to pay a multiple well into the twenties for House of Fraser.

That may be justifiable for Harrods at the top of its form, coasting on a strong dollar, but it is generous in the extreme for Fraser's provincial stores. Arguments as to the value of Fraser on the basis of its property book are equally unhelpful to anyone searching for a much higher price; a 1981 valuation at just over 300p a share may not have increased very greatly, since the rising value of Harrods will have been counterbalanced by low realisable values in less glamorous locations.

There is also some question whether the obvious alternative bidders can afford to enter the auction. Lonrho would scarcely be likely to find takers for £700m of its paper, while it would need to work extremely hard to find the necessary cash. In any case, the chance of a move from Lonrho depends on word from the Government and the Monopolies Commission, whereas there does not seem to be any pretext on which the Al-Fayed bid could be referred.

Just as the very success of Harrods has owed so much to the strength of the dollar, the store itself may still look something of a bargain to rich Americans. British companies may well have thrown in the towel, but perhaps Fraser shareholders should still keep an eye out for someone like Mr Alfred Taubman.

Royal Insurance

Royal Insurance has opened the reporting season for composite insurers with a dismal set of figures. Fortunately for the three composites with substantial U.S. exposure, stockbrokers have spent so much time revising down their 1984 forecasts that they were prepared even for figures at the gloomiest end of expectations.

Yet pre-tax profits from Royal of only £11.2m scarcely sounds the stuff of hope for the sector, least of all Commercial Union, which reports on Thursday. And it seems a little perverse that CU should put on 1p to 177p, and Royal 14p to 572p – especially as Royal had little to promise for the current year.

For the moment, holders of the composites seem reluctant to part with stock in the belief that a cyclical recovery in the U.S. is under way. This is taking an unconscionable time in arriving. Royal's U.S. premium income increased by 3.2 per cent, or by under 1 per cent without an acquisition. What is encouraging amid the figures is the fourth-quarter 25 per cent rise in premium volume in U.S. commercial lines, as well as some hardening of rates in workers' compensation. Since Royal has the largest proportion of its U.S. business in commercial lines, and pushed earliest for rate increases, it is probably best placed to reap the benefits from the end of this year. Even in the U.S., Royal's solvency margin is a decent 44 per cent.

Yet 1984 has shown the usefulness of predictions for companies so vulnerable to small changes in their operating environment. Whether or not the 9 per cent increase in claims frequency was a once-and-for-all feature of an expanding U.S. economy, Royal will probably still have to make extra provisions against its Canadian business this year because of a wider judicial interpretation of liability. At this stage, pre-tax forecasts for 1986 could be wrong by £50m.

Hawley

However hard Hawley Group tries, it has a hard time persuading the stock market that it is a solidly respectable company with good earnings prospects. Yesterday, after the company reported more than doubled pre-tax profits of £31.5m, the share price gained 4p to close at 104p, only just pipping the level it reached in mid-1983.

Much of the City of London's antagonism has stemmed from the company's apparent policy of scattering its paper as widely and as often as possible, raising £48m in two rights issues less than a year apart. Then there was the fiendish complexity of Hawley's stakes and cross-holdings in various subsidiaries, and its new Bermuda domicile.

To its credit, Hawley has not ignored City criticism. After the last debacle, it will not be in a hurry to issue more shares, and it has been busy tidying up its interests by buying out minority stakes and hiving small investments off into one holding company. None the less, the structure is apparently still too complicated for even the chairman to work out how much of last year's growth was due to acquisitions.

Without rights issues, Hawley may find it hard to generate enough cash to buy anything large this year. In the unlikely event that Mr Ashcroft does curb his acquisitive appetite, the company could make around £42m in 1985, leaving the shares on a lowly prospective multiple of seven. Ironically, a period of relative calm may be just what the share price needs, giving Mr Ashcroft just what he needs; the ability to use paper instead of cash in future takeovers.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	14	57	Dubrovnik	S	13	55	Malaga	S	15	59	Salzburg	S	7	45
Akrotiri	S	15	59	Faro	F	14	57	Malta	F	16	61	Seoul	S	5	41
Algiers	-	—	—	Florence	F	12	54	Manila	S	35	95	Singapore	F	32	90
Amsterdam	S	8	46	Frankfurt	F	8	46	Miami	C	25	77	Stockholm	F	-4	25
Athens	F	12	54	Funchal	C	15	59	Milan	C	9	48	Strasbourg	F	11	52
Bahrain	S	17	63	Geneva	S	3	37	Moscow	S	-6	21	Sydney	S	36	97
Bangkok	S	35	95	Gibraltar	S	15	59	Munich	F	5	41	Taipei	C	18	64
Barcelona	C	15	59	Guernsey	F	8	46	Nairobi	F	27	81	Tangier	S	14	57
Beirut	S	14	57	Helsinki	C	-6	21	Naples	S	15	59	Tehran	-	—	—
Belgrade	S	9	48	H. Kong	C	16	61	New Delhi	S	29	84	Tel Aviv	S	18	64
Berlin	F	7	45	Innsbruck	F	8	46	New York	C	9	48	Tenerife	F	19	66
Biarritz	D	6	43	Inverness	C	7	45	Nice	C	13	55	Tokyo	S	8	46
Blackpool	C	6	43	Istanbul	S	10	50	Oporto	S	9	48	Toronto	C	-1	30
Bordeaux	C	9	48	Jersey	S	5	41	Oslo	Sn	-3	27	Tunis	S	17	63
Brussels	C	8	46	Jo'burg	S	24	75	Paris	C	9	48	Valencia	F	10	81
Budapest	D	1	34	Las Palmas	C	18	64	Prague	C	2	36	Venice	F	10	50
B. Aires	F	26	79	Lima	C	27	81	Reykjavik	C	3	37	Vienna	C	2	36
Cairo	C	19	66	Lisbon	F	12	54	Rio de J'o	C	29	84	Warsaw	Fg	1	34
Cape Town	F	21	70	Locarno	S	5	41	Rome	S	16	61	Zurich	C	4	39
Caracas	C	26	79	London	F	9	48								
Casablanca	C	14	57	Los Angeles	S	17	63								
Copenhagen	C	1	34	Luxembourg	S	6	43								
Corfu	S	17	63	Madrid	F	9	48								
Dublin	R	6	43	Majorca	C	16	61								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Bid for Harrods group

Continued from Page 1

completion of the Monopolies and Mergers inquiry into Lonrho's relationship with the group became known.

New discussions were initiated with House of Fraser, and the stores group's board met at the weekend to consider the offer. Only Mr Aleck Craddock, who runs Harrods of Knightsbridge, was unable to be present as he was on a cruise on the Nile.

Through its merchant banking advisers Kleinwort Benson, the Al-Fayeds said yesterday that the acquisition will provide "the most appropriate basis on which to foster the continued development of the group." They regard Harrods as an integral part of the group and intend to retain the existing structure of Fraser "which it is confident will, with the support of the existing House of Fraser management, be developed to take full advantage of opportunities for further expansion in the retailing and related fields."

The Al-Fayeds, who have two seats on the Fraser board, intend to allow the management of House of Fraser "extensive autonomy. This, combined with Alfayed Investment and Trust's backing, should enable House of Fraser to build on its recent successful record and further improve its performance."

Mr Mohamed Al-Fayed said: "it should be understood that our commitment to House of Fraser is long term. We are determined to retain our present holding. We will also retain all additional shares we acquire, whatever the level of our ultimate holding."

No change in the existing management or employee structure is planned. Professor Smith, who is part-time chairman at a salary of £50,000 a year, is understood to have been asked to take on the job of chairman full time and to become chief executive.

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SECTION IV

FINANCIAL TIMES SURVEY

International Futures

Volume increases in futures trading have tended to mask problems facing some sectors of the industry. It is forecast that the market could well be in for a period of consolidation, or even contraction

Fight ahead to maintain growth

BY JOHN EDWARDS

FUTURES trading has been one of the big growth international industries during the past 15 years. New futures exchanges have spread all over tha world, from Rio de Janeiro to Singapore and Auckland, spurred on by the development of the financial instrument contracts, dealing in a universal commodity—money.

In the leading futures centres of the West—Chicago, New York and London — trading volume has seen explosive growth. Total annual turnover in the U.S., for example, bas risen from a mere 13.6m lots in 1970 to last year's record of 149.4m.

The value of these "paper" transactions runs into millions of dollars each day; in other words futures trading is a very large industry which has expanded the base of its operations and the number of participents enormously.

Yet, in spite of the record volume achieved last year, 1984 was by common consent a difficult year for many of the exchanges, and e terrible time for many of the brokerage companies.

Caught in a cost-price squeeze, many brokers have been forced either to close, merge with a rich "parent" and/or cut staff drastically.

The overall rise in the volume of trading has tended to mask the problems facing some sectors of the industry, which are suffering badly.

In recent years financial futures, with a steady stream of new ideas and contracts, have provided all the growth, while the traditional commodity markets have tended to fall back.

In the U.S. last year agricultural commodities accounted for less than 33 per cent of the total turnover. Financial futures, including interest rate, currencies and stock indices contracts, provided nearly 50 per cent of the total volume.

There was a similar trend in London. Turnover on the London International Financial Futures Exchange (Liffe) nearly doubled to 2.6m lots, while trading in "soft" (non-metal) commodities fell to below 4m lots, and turnover also declinend on the London Metal Exchange.

The development of the financial futures contracts has provided a tremendous boost for the exchanges and brokers. However, it has brought considerable problems too.

An industry that was devised to cater for the needs of traders in raw materials is now being dominated by a totally different set of participants—dealers in money and stocks, financial institutions and banks.

In recent years financial futures, with a steady stream of new ideas and contracts, have provided all the industry's growth.

So quite an adjustment is having to be made. This is proving painful for sectors of the industry, especially those tied primarily to the traditional commodity markets.

At the same time the annual increases in the volume of futures trading can be somewhat misleading. On the American exchanges much of the increased husiness has either come from the "local" floor traders dealing primarily on their own behalf, or from hig financial institutions seeking temporary "cover" for huge transactions in the cash markets.

So while turnover is up, there are a reduced number of "players" in the markets and fewer clients for the brokers. Private and trade investors, who used to provide a large share of the action and commissions, have in recent years tended to lose interest in futures, turning their attention elsewhere — notably to the hooming stock markets.

With low inflation, and the dollar riding high, U.S. investors in particular have much less incentive than previously to seek the protection against the erosion in valne of their money that originally drove them into futures markets.

The exchanges, and brokerage houses, which expanded their services in the 1970s to cater for the upsurge of investor interest in futures now find themselves locked in with hig overheads and costs, fighting for business in highly competitive markets.

If low inflation persists in the Western world there will he little incentive for investors to return to futures in a hig way. Indeed, it is argued by some pessimists that the industry may have reached a turning point and is in for a period of consolidation, or even contraction, after the years of spectacular growth. Certainly many hrokers and exchange officials in the U.S. are predicting a downturn in the volume of futures trading this year.

However, the industry has shown remarkable resilience in the past to prophets of doom, and there are many areas of further potential growth. The extension of contracts, based on stock markets, currency and other financial indices, is one obvious area of expansion. Another is options.

In the U.S. options have been booming, and the trial programme for futures traded options, initiated by the U.S. Commodities Futures Trading Commission has proved e tremendous success.

The programme has restored the tattered reputation of futures options, by bringing them on to the exchanges with strict rules and regulations, and widening their appeal to a very receptive audience.

Stockhrokers are already familiar with options trading, and there is tremendous interest among dealers in tbe other financial markets. The introduction of agricultural options should also prove more popnlar with farmers, previously apprehensive about dealing in futures.

On a more fundamental level, there is tremendous scope for greater indirect use of the futures hy a much larger part of the community, possibly even unaware of the markets' existence or functions.

This is already happening in the form of customised or packaged services being offered hy some financial institutions. The offering of fixed interest rates, with the lender hedging on the futures market, is just one example.

The same technique can be used to provide all kinds of fixed price services—previously not available—from enterprising suppliers making full use of futures and options.

Many of the most prestigious financial and stockbroking companies, which previously would not have heen seen dead on the futures exchanges, are now enthusiastic users of the markets, eager to develop new opportunities. Having been converted, they are likely to seek to expand rather than restrict their activities.

The concentration of business into major American exchanges has ominous implications for the rest of the world.

Energy futures are also rapidly gaining increasing acceptance within the oil industry as a hedging and pricing media. Bearing in mind the size of the oil sector there is obviously huge potential for growth.

The launch of the first freight futures contract in London in May may also herald a whole new industry.

Nevertheless there are some worrying trends. Fashions change quickly in the financial world in particular, and the futures exchanges have become increasingly dependent on one or two big financial contracts.

There has been a general polarisation. Chicago has emerged as the triumphant winner in financial futures, in spite of New York's importance as a financial centre.

Replying to suggestions that tha growth of the Chicago financial futures was a case of the tail wagging the dog, one broker dryly commented: "Tha dog has moved to Chicago."

However, New York bas establisbed its role as the leading centre for energy and metals futures. Efforts by both the mighty Chicago exchanges, first the Board of Trade and then the Mercantile, to go into energy futures proved to be a bnmiliating failure, and the exchanges have now decided to leave the field clear for the acknowledged leader, the New York Mercantile Exchange (Nymex).

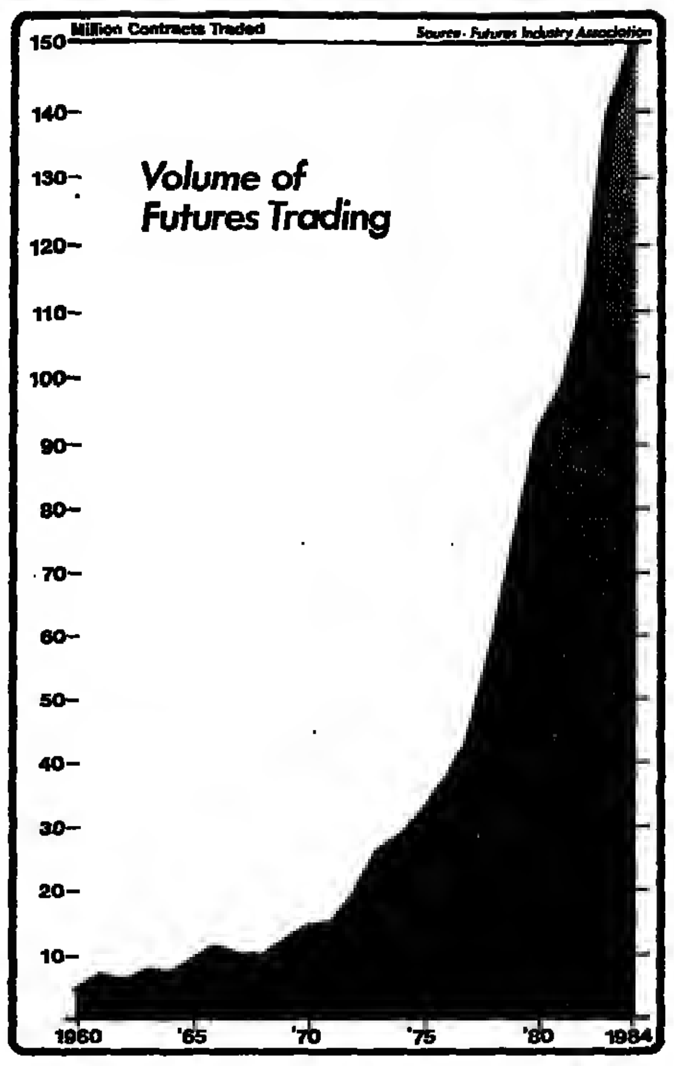
Comex in New York has become virtually the only metals futures trading, with the astonishing decline in support for the Chicago Mercantile's gold contract, not so long ago a close challenger.

This is all part of e general concentration of trading in the big markets offering the greatest liquidity. Adeqnate liquidity, to get in and out of the market easily without disturbing prices, is of particular importance to larger operators in futures, so the trend bas been for the hig markets to get bigger, while the smaller markets are finding it increasingly difficult to survive.

This trend towards the concentration of business into the biggest single market place has ominous implications for the rest of the world. With improved communications it is just as easy to trade on the hig U.S. exchanges as in London or Singapore.

With American commission houses drumming np business throughout the world and tending to favour the American exchanges, competition from the U.S. is becoming much stronger.

A great deal of publicity has been given recently to the development of international links between exchanges in different time zones as a means of generating extra futures business worldwide.



The explesive growth of futures business in the U.S., with volumes traded soaring to 149.4m during 1984.

However, some observers claim that the mnch publicised link between the Chicago Mercantile Exchange and the newly formed Singapore International Monetary Exchange (Simex) is proving to be a costly failure.

Turnover on Simex remains fairly modest, although it is increasing. However, the Chicago exchange has based its success on taking the long-term view.

Comex is going ahead with a plan to link closely with the Sydney Futures Exchange.

The deal between the two exchanges is expected to be signed at the Futures Industry Association in Boca Raton. Comex claims that it is a cheaper, more effective method of extending trading hours without members having to work unsocial bours with all the extra costs this involves.

It could also be viewed as a defensive measure to protect its Asian time zone gold business.

The Chicago Board of Trade is far from convinced about the henefits to be gained from international links. It argues that customer protection is difficult to ensure when trading on different exchanges in countries with varying rules and regulations, and possibly a domestic government that in the last resort would be liable to back its own nationals in any dispute.

CONTINUED ON NEXT PAGE

Doors open for pin-striped pork bellies

U.S. Institutional Investment

JOHN POWERS

A LITTLE more than a decade ago, Chicago'e two major futures exchanges were finding a lot of doors slamming in their faces. The Mercantile Exchange bed pioneered foreign currency futures in 1972, while the Board of Trade launched the first interest rate future, on Government netional mortgege certificates (Ginnio Maes) in 1975.

When exbange officials visited New York to drum up interest among banks and other financial institutions, the reaction often ranged from borror to cynicism. Someone coined the term "*pin-striped pork bellies*" in characterising these new financial contracts.

Thirteen years later, the doors that were slammed sbnt are wide open. Most major banks with *assets of over* U.S.$500m have used financial futures or options et least once, and the 25 larg^est banking institutions bave active daily trading programmes which are integrated with their treasury operations.

At least 20 banks in addition have set np new divisions to offer brokerage services in futures to other banks and to their corporete customers.

While the docline in inflation bas taken the steam out of speculation in tho traditional commodity markets in agriculture and *metals*, financial futures contracts have continned to show strong growth.

At the Chicago Board of Trade (CBOT), the 1984 volume in its financial futures contracts exceeded volume in the egricul*tural* contracts *for* the *first* time in the exchange's 136-year history. Financial volume, led by particularly strong growth in the U.S. treasury bond future and option contracts, *totalled 40.7m contracts out of* tho 74.4m contracts traded in all CBOT markets. Financials thus represented 54 per cent of the total volumo at the exchange, after nine years of trading in financial futures.

At the Chicago Mercantile Exchange (CME), 1984 trading volume in its financiel futures and *Deutsche Mark option* totalled nearly 36m of the year's volume of 44m contracts. Volume in the Standard and Poor 500 index future increased 53 per cent in 1984 to 12.4m contracts, while the Eurodollar *future gained 370.5* per cent during the year to 4.2m contracts.

The high growth rates in these two contracts is particularly noteworthy, because the S *and P contract is favoured by* bedgers in major financial institutions which have portfolios which match the constituents of the index.

The Eurodollar futures contract is certainly not very familiar to tho majority of small speculators who think of soya*beans or gold when they think* of commodities. The Eurodollar contract in fact is dominated by foreign and multinational U.S. banks which use it as a pricing mechanism for their Eurodollar books. It is about es foreign to *the average speculator as* pork bellies to a Swiss banker.

These spectacular volume gains have all taken place at a time wben many brokerage firms are moaning over losses caused by high operating expenses during a period wben the commission dollars from speculators are increasingly being carved up by discount brokers as well as a number of new entrants into the business. *Institutional volume is growing,* but the problem for brokers is thet the number of institutions using the markets is increasing at a slow pace.

It is hard to nail down the level of institutional participation since surveys of volume do not specify the type of user in *the market. A recent survey by* the CME shows bow much commercial hedging interest has increased in financial contracts.

By taking positions registered at the end of August in 1981, 1983 and 1984, the survey shows that open interest of commercial users in the treasury bill future totalled 67.1 per cent by 1984, compared with 36.8 per cent in 1981. Eurodollar commercial interest stood at 76.8 per cent in 1984, up from 64.5 per cent in 1983. In CDs (certificates of deposit), hedging reached 65.3 per cent in 1984, up from 34.5 per cent in 1981, while in Deutsche Mark and Japaneso yen futures it was 64.2 per cent and 60.0 *per cent respectively,* for 1984.

At the CBOT, institutional trading in the U.S. treasury bond future and option also probably represents the majority of volume in those contracts.

Despite this high level of commercial participation, tho day-to-day trading by institutions is for the time being limited to a relatively small number of investment banks, government securities dealers, and broker-dealers which are trading house accounts.

More genuine "institutional" customers are using the markets from time to time, but their numbers are few; perhaps 200 commercial banks, a few hundred savings and loans associations, 100 or fewer insurance companies and a score or so pension funds.

The index options and index futures, however, are attracting an increasing number of *money* managers, primarily because of the advantage of being a cheap form of entering or exiting the stock market.

Greater institutional participation will elude the futures and options markets until education and knowledge of useful end prudent applications is more widespread. This will be the main factor in overcoming the still-lingering image of the markets as speculative and bence, en imprudent vehicle for an individnal charged with preserving capital.

Part of the educational thrust with institutions hinges on providing more understanding of how to properly account for positions taken in these markets. This requires more *sophisticated* reporting systems for measuring profit and loss on a daily basis. By contrast, gains or losses on e real estate investment ere recorded over a period of years. With a futures position, it shows up the next morning, in the form of a cheque, or a demand for a cheque, until the position is closed.

Despito the general slowness of a wide number of institutions to make use of the markets, regulatory approvals, at least in the U.S., have come relatively fast. The Federal Reserve Board, *Department of Labour* (for pension funds), Federal Home Loan Bank Board and Comptroller's office have been fairly swift in providing regulatory guidelines as new financial contracts have appeared over the *last 12* years.

But the regulators are responding to the persistent demands of a *few* innovators in each sector of the financial markets, rather than the demands of a majority.

Liko all new marketplaces, the promotors of financial futures and options will have to be *patient before* large numbers of institutional users come knocking at the door.

Trading floor at the Chicago Board of Trade. The volume of financial futures contracts last year, for the first time in the exchange's 136-year history, exceeded that for agricultural futures. Led by particularly strong growth in U.S. treasury bond futures and options, the volume of financial contracts totalled 40.7m out of 74.4m contracts traded on the CBOT during *1984. Thus*, after nine years of trading financial futures, they now represent 54 per eont of *the* exchange's trading volume. Institutional involvementin CBOT's trading in U.S. treasury bond futures and options probably represented the bulk of trading volume in those contracts.

Financial instruments hold sway

Speculators

CHRISTOPHER O'DEA

THE broad advance of U.S. stock markets since January has slowly attracted speculators back into the commodities markets. However, the word "commodity" is increasingly becoming s misnomer for what *is being traded. Rather than* soyabeans, corn and cattle, speculators are moving into financial futures and options.

Casb options on indices like the Standard and Poor 100 (OEX) allow traders to take a view on market direction while limiting their risk. Option strategies such as "straddles" and "strangles" are useful when the market has been in a trading range, but is generally stagnant or trendless.

Futures brokerage firms are boping that options will help them tap the many investors already familiar with equity options. "Most people come from an equity base and don't go for the beans right away," says Mr Terry March, director of marketing for 312-Futures, a discount brokerage in Chicago. "It's easier to jump to metal or bond options than the soft commodity based trader."

Many traders making the jump landed in the Chicago Board Options Exchange (CBOE). From January 1984 to January 1985, the OEX posted a 332 per cent increase in retail volume.

To help handle the orders, CBOE on February 1 installed the retail automatic execution system, (RAES) which processes orders automatically to a public book, from which they are assigned to market makers to match trades. Under the 30-day pilot, only orders for cer*tain strike prices in the front* month contract will be filled. RAES provides a one-second turnaround.

On February 13, 12 days after it opened, RAES executed 694 contracts in 208 transactions. Seven CBOE member firms ere tied in to the system, which allows them to funnel all orders of five *lots* or less to RAES. Prudential Bacbe and Shearson Lehman American Express were the first two to use the system. Ten more member firms are due to join in March.

As more sophisticated traders move from equities into futures and options, discount brokers are *finding* that they must offer extra support services to remain competitive. *Low commissions* alone are no longer enough, and most brokers heve become eble to execute and confirm orders in the same amount of time as their competitors.

Mr March says: "It used to be that only institutions got those advantages, but now they're offered to the retail client." Perhaps more than market information, futures speculators want to trade in liquid *markets. That is why,* with so many speculators out of the markets since the great gold price collapse in 1980 and 1981, liquidity is bigger in a few markets such as U.S. treasury bends, S and P 500 futures, and the Deutsche Mark, yen and Swiss franc futures contracts.

Liquidity is not determined by total volume alone. The Deutsche Mark option of the Chicago *Mercantile* Exchange, for example, is highly successful but there is relatively little retail business, say traders in the pit. Most outside customer orders come from currency-dealing banks.

The ratio of volume to open interest is a handy rule-of-thumb guide to the probable ease of closing out a position in a given contract. In January, the ratio for the OEX was roughly 8:1. The S and P 500 future, whilo showing lower ebsolute growth, has a whopping 24:1 ratio. For the New York Futures Exchange's NYSE composite index future, the ratio is 27:1, but volume grew only 2.7 per cent in 1984.

Mr Murray Halperin, executive vice president of Chicago discount brokerage Jack Carl, says "The speculators are in the stock indices. That's about it when you look at it. There's no trend in the grain Complex, and many speculators are on the sideline waiting to buy, but we don't know when."

Mr Jack Kroeck, vice presideot *of* marketing at *Lind-*Waldock, the largest futures discount broker says, "Every trader has a different reason for being in the market." Some like volatility and trading in and out of the market, and some like trends.

Because futures contracts are continually listed, they are not as constrained by time value as options are. It is a different type of trading, and if choppy market volatility decreases and traders see signs of a trend, metals and agricultural futures could recapture the enthusiasm of speculators who have largely deserted them.

Difficulties for trend followers

Future Funds

NANCY DUNNE

THE 89 publicly offered commodity funds, tracked by Managed Account reports in the U.S., weethered choppy markets with great difficulty last year. It was *only in* the fourth quarter that the majority emerged as winners.

Dr Mort Baratz, editor of Managed Account explains that difficulties arose because "*trends were few and far between.*" Fund managers, most of which are trend followers, would finally identify a trend and it would *reverse itself three* weeks later.

"The strong impression I have," says Dr Baratz, "is that those wbich came out ahead commitied themselves to the currencies, metals and stock indices."

Working against the funds, along with the uncertain markets, is tho high costs of operations. Managers typically take 20-25 per cent off their equity just to cover costs. The trading adviser, *himself, usually gets* 4-6 per cent of the assets in salary and earns an incentive bonus of 15 per cent of new net profits. Commission fees are also high—about U.S.$60-70 for each round turn *in* trading.

By the end of last year 55 funds had produced net gains, 26 reported net losses, four were unchanged and two—Boston I and II—had suspended operati*ons. Five* new funds began operations in 1984, the smallest increase of new funds in the past five years.

The best performer of last year, according to Managed Account reports, was Thomson Financial Futures Partners I, offered by Tbomson McKinnon and managed by Christopber *Funk of Layfeyette Ind.* and Campbell and Co. Management of Baltimore. Tho fund gained 70.2 per cent. This was the best annual record by e public fund since another Funk fund, tho Illinois Commodity Fund, gained 75.6 per cent in 1981.

After Thomson, the highest earners were Peavey I and II, wbich earned 64.7 *per* cent and 63.2 per cent respectively, with both managed by Futures Management (Iowa) and Dunn Commodities.

Some trading advisers do consistently well, says Dr Baratz, *and their success seems* to rest on three factors: their skill in making money management decisions, their portfolios and their persistence in following their *own systems.*

One of the steadiest performers, Mint Limited, an offshore fund underwritten by Britain's Anderson Man, has devoloped a volatility measure which tells its managers wben to pull out of high risk markets.

"We are highly risk adversive," says Mr Tim Ireton, the fund's sales director in London.

Consequently, Mint's assets have never dropped more than 1.5 per cent and that was in its first six months of trading. Mint has averaged 30 per cent gains over the first two yeers of its existence by investing worldwide only in highly liquid markets.

The fund was capitalised in 1983 with U.S.$5m and shares worth U.S.$10 eech. Diversifying widely by trading *in* currencies, interest rate, energy, metals, tropical products, livestock and lumber futures, its shares climbed to U.S.$15.73 by the end of January and assets had jumped to between U.S.$11m and U.S.$12m.

Like most of the funds, Mint's managers are trend followers with a system developed after working out "an enormous amount of eimulations," using data dating back 20 years. Its steady growth is "no fluke," says Mr Larry Hite, a principal in Man Investment Management Company which manages Mint.

"We hed a well conceived system, we knew what we were going to do and we did it," he etates. "Based on statistical research, we knew we had a 1 per cent probability of losing our initial capital and a 95 per cent chance of doubling our money in 2½ years."

"All fund managers claim they heve something unique," says Dr Baratz, who bas seen wide fluctuations in fund performance over the years. Mint is doing well, he acknowledges, but he will reserve final judgment until its track record is longer.

Leading the list of funds turning in worst performances last year were: North American 11, advised by Trendview, down 34.1 per cent; Major Trend, advised by Joseph Mills, down 31.6 per cent; Boston 1, underwritten by Thomson McKinnon Securities, and advised by Commodity Monitors, down 25.9 per cent; Stock Index, underwritten by Paine Wobber, down 24.4 per cent, and Boston 11, *also* underwritten by Thomson McKinnon Securities and with Spinnaker Trading as advisers, down 24.1 per cent.

Fight ahead to maintain growth

CONTINUED FROM PAGE 1

The Board of Trade thinks that extending its bours of trading in specific contracts with international appeal, like its *planned overseas* stock index contracts, is a better answer, ensuring that its members benefit from any extra business.

There is no doubt that the American exchanges have become very much more conscious of the potential business from outside the U.S. The London exchanges are bopeful thet the introduction of improved investor protection and more equitable domestic tax treatment will enable them to win some business back.

Paris is also fighting hard to expand its activities, as are various exchanges in the Far East.

It *could* be a hard struggle. Ultimately the future of futures depends on whether they serve e real need. It was the uncertainty in the world's financial and commodity markets thet triggered off the flight to futures for protection in the 1970s. The industry now has to prove there *is* a continuing need for futures in years ahead.

International Futures 3

Pension fund involvement will become commonplace

UK Institutional Investment

JOHN MOORE

THE USE of the London International Financial Futures Exchange has become an important part of the investment strategy of the pension fund manager.

Institutions, at first wary of the financial futures markets, have built up expertise and are devising programmes to use the markets efficiently.

Prudential Portfolio Management, Britain's largest investment management operation with assets under management of £15bn, argues that there are several attractions for pension funds on the financial futures market.

Financial futures offer exactly the same exposure to price movements as investing in the stocks or shares to which the contracts relate. Provided the investor maintains cash on deposit — which will be earning interest — to cover the total obligation under the futures contract, the risk, in terms of price movements, is identical to holding the underlying securities.

Low dealing expenses in the London financial futures exchange; the ability to buy contracts at a price which is less than the price that would have to be paid for the actual stock; the facility to hedge against a market which would otherwise be detrimental to a fund; and the flexibility to switch between investment sectors are the main attractions for pension funds, says Prudential.

Prudential argues that the hedging techniques available in the financial futures market can enhance pension fund returns. For instance, hedging techniques can be used to offset adverse price movements in the British Government securities market.

Using an example: an investment manager holding £1m of a gilt-edged stock Treasury 14 per cent 1998-2001 at June 30 may believe that the price of the stock could fall over the next three months. The investment manager may be reluctant to sell immediately, perhaps because he thinks that some short-term gains are also possible in the next few weeks. He can protect the value of his holding against the expected fall in price by "selling" the long gilt futures contract. In such a deal he would be entering into a contract to deliver a certain amount of fixed interest stock in September but at a price fixed at June 30.

The buyer is contractually bound to take delivery at this price in September even though by then the price of the stock may actually be lower in the market.

In the example the market prices per £100 nominal of the stock and the futures contract at June 30 are: Treasury 14 per cent 1998-2001—£123¾; long gilt futures contract (for delivery on September 30)—£105¼. At June 30 the manager holds £1m nominal of stock worth £1,237,500 which he intends to hold until September 30. To protect the value of this holding should the price fall, he needs to "sell" futures contracts for delivery on September 30 worth an equivalent amount. Because the long gilt futures contract is traded in amounts of £50,000 nominal, the nearest amount he can sell is 24 contracts with a total value on delivery of £1,263,000.

The manager now holds a "hedged" portfolio consisting of both £1,237,500 of stock and futures contracts to sell stock for £1,263,000 in three months time.

By September 29 the Treasury stock may have fallen to £117¼ and the price of the long gilt futures contract may stand at £99¾. After the fall in prices the value of the manager's stock holding has fallen by £65,000. If the manager had not "hedged" his portfolio in the futures market, he would have suffered a loss over the same period. Because of his strategy he can deliver the £1m nominal holding of the Treasury stock to fulfill his undertaking in the futures contract.

The result of the transaction is that the manager receives the price for the stock which he would have received had he sold on June 30 rather than September 30. The hedge has protected the value of the gilt holding against the fall in prices.

Prudential argues that the low dealing cost of the futures contract means that the use of this investment route also allows the manager greater flexibility in switching between investment sectors which it says is probably the most important use of financial futures for pension funds.

Up to comparatively recently there have been two major restraints on fund managers wishing to switch assets between investment sectors. First the cost of dealing. For example, the expenses involved in a switch from fixed interest to UK equities amount to more than 3 per cent of the assets involved. Secondly, the effect on the market of any substantial deal in securities. It is difficult to sell a substantial proportion of an equity fund at "quoted" prices, particularly when the sale is prompted by a specific event or timing is critical.

The use of financial futures has offered a solution but the route was at first closed to pension funds because it was not clear that futures contracts were exempt assets for the purposes of pension fund tax legislation. Last year the position was clarified, and pension funds investments in futures enjoy the same statutory tax exemption.

If a fund manager was instructed by the pension fund trustees to match the FT Actuaries All-Shares index as near as possible for three months, minimising the costs involved, the operation could be carried out through investing in 60-70 securities. Acquisition costs of over 2 per cent of the assets involved would be incurred and other costs of over 1 per cent might be incurred in the disposal of the shares.

Lord Carr of Hadley, chairman of Prudential Assurance.

The establishment of the FT-SE 100 index futures contract last year, linked to the performance of 100 leading shares, has enabled the fund manager to effectively buy one composite share made up of all the FT-SE 100 index shares.

Dealing expenses may be only 0.1 per cent of the total contract price, which on a £5m contract would be £5,000, while the cost of buying and selling the actual securities involved over a three-month period could be in the region of £150,000.

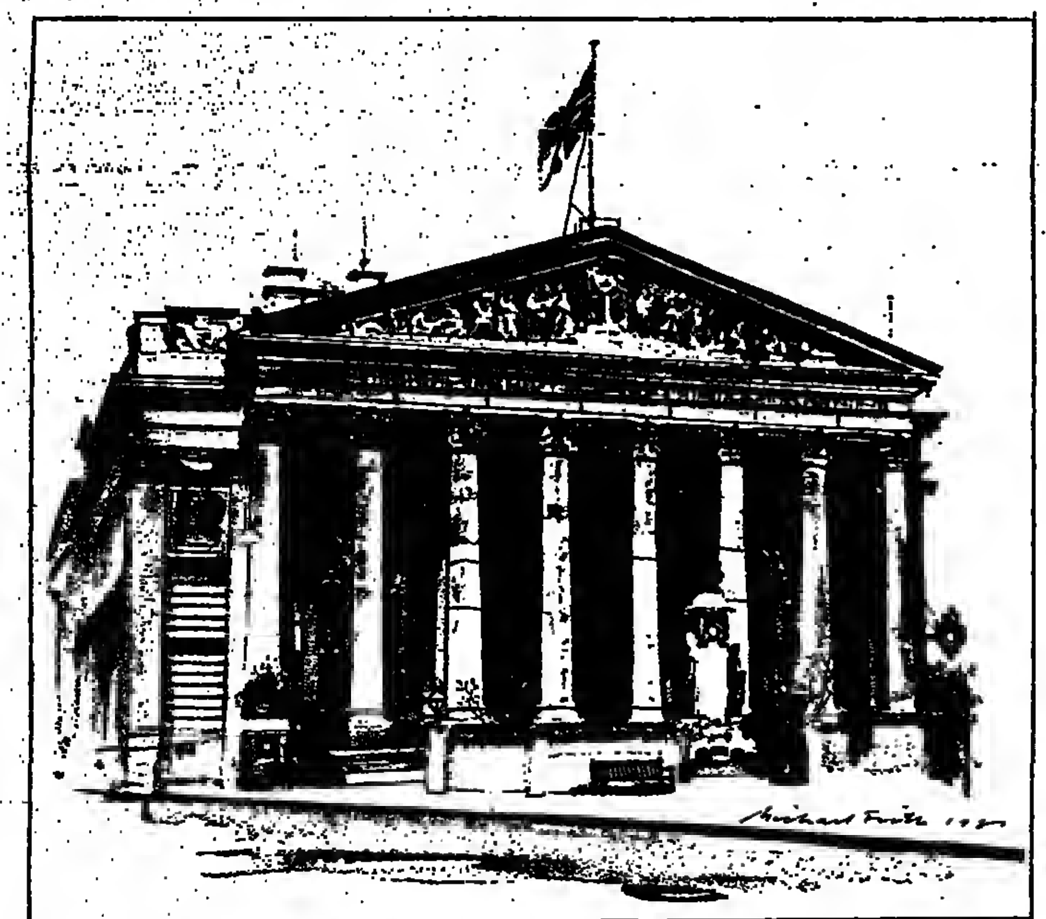
Moreover, only a standard £1,500 per contract has to be lodged with the London International Financial Futures Exchange as an "initial margin," which is returned once the contract has run its course or sold. The small initial outlay allows more active management of the cash representing the balance of the futures contract price to produce a greater return.

Prudential Portfolio Managers observe that for the overall price fixing mechanism to work effectively, there must be a reasonable volume of buyers and sellers.

Its research and its own investment activity in financial futures over the last 18 months, particularly in fixed interest contracts, has indicated that the financial futures markets in London have been operating to a more acceptable level of efficiency in terms of price fixing.

But there is no doubt that many pension fund managers had been waiting for the formal tax changes in the 1984 finance act before making use of futures contracts.

Once most trustees of pension funds become familiar with the concept of financial futures their use in fund management will become commonplace. This will help the market's efficiency and liquidity.



The Royal Exchange building, home of the London International Financial Futures Exchange.

A battle to survive

Brokerage Houses

JOHN EDWARDS

LAST year was, on the whole, a terrible one for futures brokers. Several well-known companies, including Conti-Commodities and Loncomex, went out of business. Many others merged, were taken over or forced to cut their staff back drastically.

Commission cutting is rife and even the most successful companies are finding profits from futures trading hard to come by.

It is a far cry from the boom times in the 1970s when brokers expanded to meet an apparently insatiable demand from investors and industry anxious to get into futures trading.

Now it is a question of survival. Mr George Lamborn, president and chief executive officer of Donaldson, Lufkin & Jenrette in New York, summed it up succintly: "overcapacity in the industry has to be alleviated; many firms have already gone out of business and more will have to follow. Only the very large and the very small are likely to survive."

Some pessimists believe that the traditional small investor—the Iowa dentist—has vanished for ever. Others like Mr Lamborn think investors will be back in even greater force once the inflation rate starts to climb again, bearing in mind the generally improved awareness these days of the futures markets. Mr Lamborn is more worried about whether the exchanges will be able to handle any increase in volume of business effectively.

For the moment, however, it is the retail brokerage houses, serving the general public, which are suffering most. Deflation, and the lack of action in many markets, have reduced investor interest in futures generally. Those left have tended either to invest indirectly via the managed funds or alternatively have become more sophisticated in their trading techniques, relying on computer-based systems, instead of advice from brokers.

These "spartan" traders just want their orders to be executed and not want to pay for special services. There is, therefore, in the U.S. particularly, greatly increased competition from discount brokers providing a bare-bones service with no expensive frills.

It has become increasingly difficult for the traditional futures brokers to compete without cutting comissions to the bone.

With commission revenue declining, and costs rising, many brokers are trying to make ends meet by taking positions themselves on the markets — a dangerous practice. Alternatively many are either cutting their services or altering services (like research) in an effort to be competitive with the basic cost of executing orders for clients.

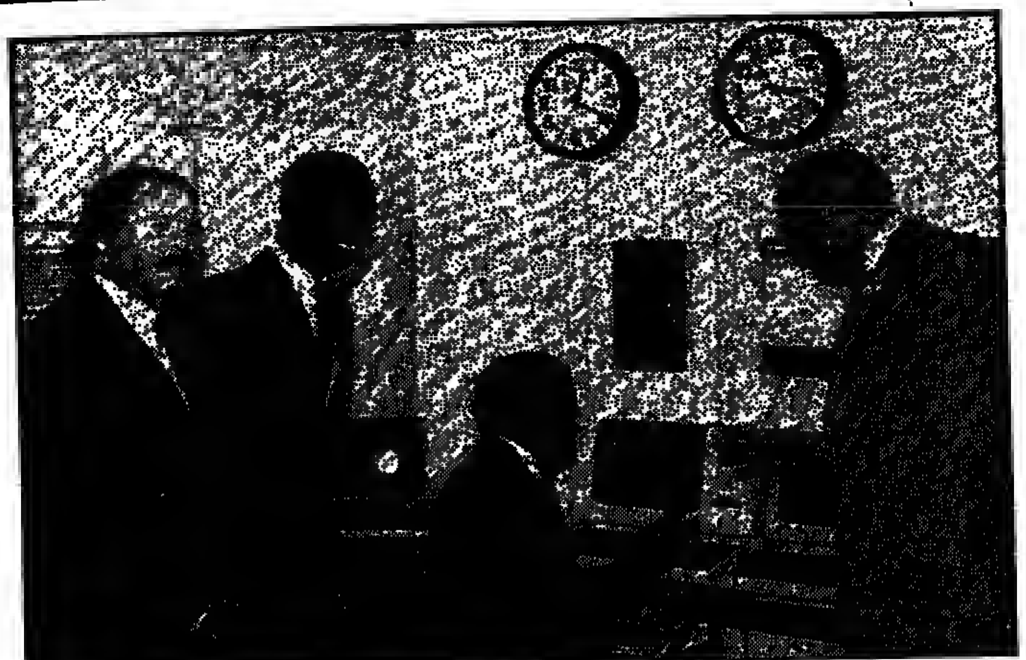
Mr Rich Sandor, of Drexel Burham and Lambert in Chicago, one of the architects of the booming Treasury Bond contracts when he was with the Board of Trade, believes the industry is moving in a different direction.

He says that the days of the specielised futures-only brokerage houses are numbered. Instead brokerage houses will have to offer a whole range of financial services, with futures as just one alternative.

Last year's volume increase in trading on the U.S. futures exchange came mainly from "locals" dealing on their own behalf or big financial institutions coming in with huge orders, paying very small commissions.

If this trend continues, the brokerage houses can expect just as difficult a time in 1985, unless there are some dramatic developments to attract private investors back into the markets.

Many of the brokerage houses have cut their overheads, and staff, drastically already. But there could be many more closures and mergers yet, as brokers adjust to the harsh world of the 1980s.



Above: Mr Ian McGaw, group managing director of ICCH. Right: Bermuda's premier, John Swan (seated) is given instructions on the operation of the computer at INTEX, the world's first fully automated commodities exchange.

Broader base and wider choice

ICCH

JOHN EDWARDS

THERE are two divergent trends in the world futures markets, according to Mr Ian McGaw, group managing director of the International Commodities Clearing House (ICCH). One is the push by the U.S. exchanges to "take over the world." The other is the move towards greater internationalisation of futures trading and the desire by national governments to climb on the bandwaggon and promote their own domestic exchanges.

Although ICCH is London-based, and owned by a consortium of UK clearing banks, it has developed interests throughout the world, and is one of the few truly international futures organisations.

One of its latest projects is to help expand the futures exchange in Rio de Janeiro, which at present only has a gold contract, but is looking at possibilities for markets covering interest rates, Bahia cocoa and, perhaps, coffee. The rival Brazilian exchange in Sao Paulo has contracts for gold, cattle, coffee and soyabeans.

ICCH is also deeply involved in the development of e fully-automated futures exchange in Auckland, New Zealand. That opened on January 28, with a U.S. dollar futures contract.

The exchange, which allows simultaneous trading by member companies situated in different parts of New Zealand, could provide e model for other low volume domestic exchanges, where setting up a central "floor" area is too expensive. Alternatively it could be used for "kerb" (after bours) trading on the bigger exchanges.

The automated trading system, being used in New Zealand, was originally developed by ICCH for "kerb" trading on the London soyabean meal futures contract.

Since then ICCH has been involved with Intex, the Bermuda-based company that last year launched the world's first fully automated-futures exchange.

Mr McGaw admits that Intex has been surrounded by controversy—possibly because of the many delays in starting—and that volume on the existing gold futures contract is very modest (only around 250 lots a day). However, he says the system does work in a "frighteningly efficient" manner.

The testing time for Intex will come when it introduces a dry cargo freight futures contract in May, simultaneously with the launch in London on the Baltic International Freight Futures Exchange (Biffex).

Biffex and Intex will have identical contracts, but Intex will be restricted to trading in certain hours, mainly when the London market is not operating. ICCH will be providing clearing facilities for both the exchanges and Mr McGaw sees e lot of scope for financial savings by companies trading in both exchanges.

Although they will operate completely independently, the ICCH will obviously be in a position to assess its charges on the exposure, and margins, involved in both markets.

Mr McGaw believes that joint clearing arrangements of this kind may be a better way of co-operation between international exchanges in providing financial advantages, only without the political and legal problems involved in other links, like the venture between the Singapore and Chicago Mercantile exchanges.

Indeed, the first international link of this kind was the arrangement between the London and New Zealand wool futures markets, allowing dealings to continue in the two time zones on a single contract.

However, this link is due to end, since virtually all the business comes from New Zealand, which wants to take more control. One of the major difficulties with any link of this kind is that e dominant partner emerges and the smaller exchange may object to being cast in the role of junior satellite.

Confining the link to purely the financial advantages offered by using the same clearing organisation is less troublesome; it has for example worked well since 1976 between the London and Paris sugar futures markets.

Mr McGaw argues there is a strong financial case generally for one independent organisation providing clearing facilities for groups of exchanges, rather than each exchange having its own individual clearing system.

Companies operating in all the exchanges are faced with having to allocate separate collateral for each exchange. This may be under-utilised and reduce the amount of capital available for the company's primary business. Since its change of ownership, the ICCH has reviewed its whole strategy to try and be more in line with changes in the futures industry worldwide.

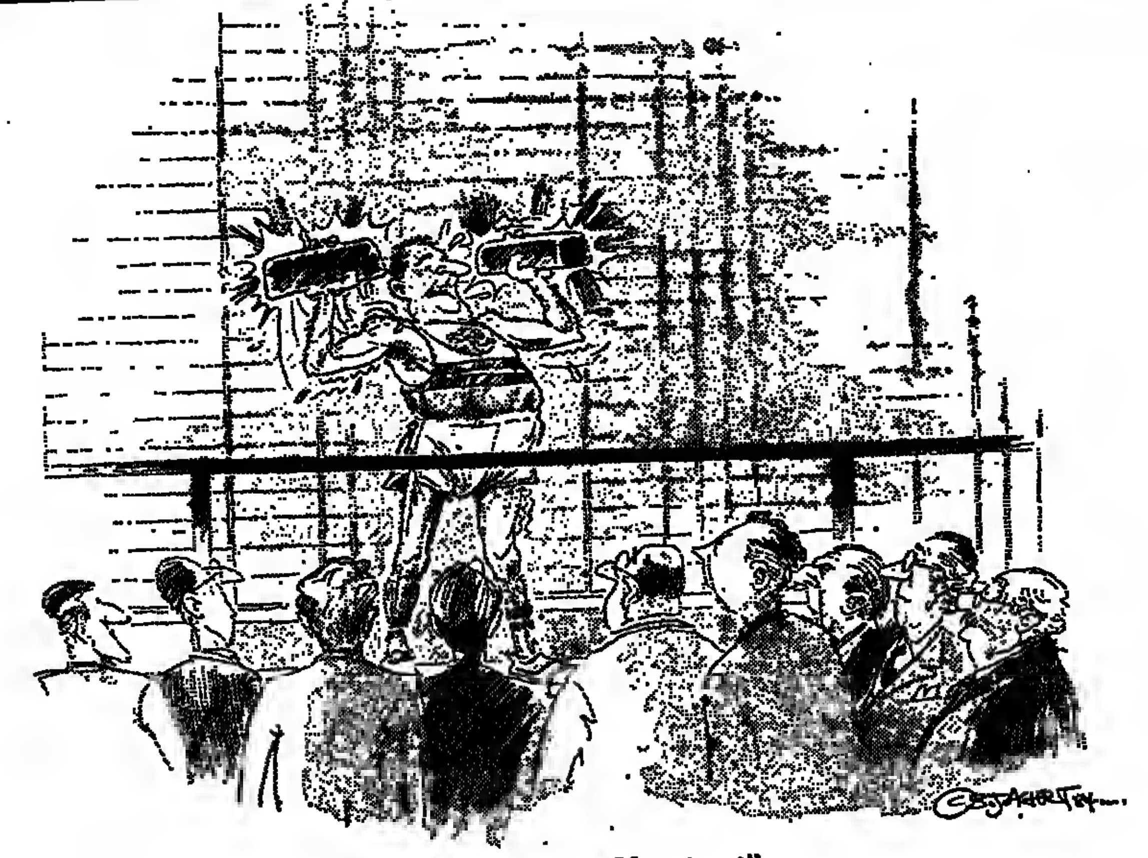
It views itself as an international organisation, prepared to offer individual exchanges the kind of services they want. In some cases it provides full clearing facilities while in others it provides computer and other services only.

The fee charged is negotiated individually with each exchange according to the service provided and the risk involved. The London International Financial Futures Exchange (Liffe), for example, negotiated e new arrangement last year, and this may well set the pattern for other exchanges to follow.

The variable guarantee fee, based on the "open" position and the degree of volatility, means that the amount payable depends on activity in the markets—a helpful factor during periods of flat trading.

Every month there are reports of proposed new futures contracts all over the world, ranging from Indonesia and the Philippines to Amsterdam, Paris and Montreal. The U.S exchanges, backed by American commission houses with branches in most countries, can expect to attract a large slice of the increasing international business.

However, the development of an increasing number of futures contracts, including those by various stock exchanges which have belatedly realised they should be launching their own futures markets, rather than leaving it to the commodity exchanges, is encouraging e broader international base for the industry and providing users with a wider choice.



"Just exercising my gold options!"

Threat from over-complexity

Options

JOHN H. PARRY

OPTIONS ARE essentially simple concepts to grasp, but today the complexity of the various forms on offer threatens to swamp the markets which could derive most benefit from them.

Because of the known, limited risk from options they appeal to both speculators and investors. But the stampede to tailor options to suit a wide range of users has almost created too much choice. Users who want to deal in options need to be very determined to find out what is on offer and to decide on the merits of what is available.

At its simplest an option is any transaction in which a forward price is determined and for which a client can pay a small premium in order to retain the right to buy or sell at that price.

The concept can be applied to physical goods, financial instruments and securities, but the current growth is centred on securities, foreign exchange and financial futures.

The essential points ebout options are that they confer rights, not obligations and they provide a system of leveraged buying or selling. Leverage is derived from the fact that the price which is paid for an option is much lower than the principal sum which is secured by the option. But, if the profit potential of an option is not fulfilled, the option can simply be lapsed.

And unlike the variable margin for futures contracts, an option premium is paid up front, once and for all.

These distinctions are complicated by the fact that it is now possible to take out an option on e futures contract.

This seemingly duplicative position has arisen because of the increased price visibility which a futures contract can introduce to previously grey areas such as forward foreign exchange and interest rates.

The more visible futures prices (as opposed to interbank rates) can provide a reference price which is essential for options dealing. At the same time futures markets also introduced more perfect markets than previously existed for certain financial instruments. It takes only two parties to deal an option, but it takes many more to ensure that the price of that deal is competitive and the market will be sufficiently liquid and accessible.

These conditions have been encouraged by the trend from traditional options to traded options. In the former a buyer of an option has three choices: to exercise it, to let it lepse or to sell it back to the grantor. The buyer of a traded option can expand the third feature and sell it on to a third party.

This distinction is clearly visible on London's Stock Exchange, where traded options are enjoying e sharp rise in popularity. Some 30 stocks are quoted on the traded options pitch, but average trading volume has risen by 400 per cent since the end of 1983, to over 12,000 contracts per day in January 1985.

Recent new issues, such as Jaguar and British Telecom, have been in the forefront of the traded options market and, theoretically, the substantial gains made in the underlying stock could have been multiplied tenfold by taking the corresponding options.

It is partly this attraction of leveraged profits, and partly the ability to trado a short position, which is attracting growing support for traded options. The short position, or put option, provides a hedge against a decline without selling the stock, a useful facility when dividends are at stake.

Despite the fact that traded options have been available on the Stock Exchange since 1976, the exchange has not conducted a strong marketing campaign for them. This is mainly because of the highly speculative opportunities which leveraged contracts provide.

However, the persistence of the options sub-committee, led by Pinchin Denny's David Steen, is paying off. His tenacity ensured that recent eye-catching new issues were also quoted on the traded options pitch.

His plans for the next phase of development are more revolutionary. Announced earlier this month, they include provision to create a special low-cost membership for banks and other market makers who wish to join the traded options pitch specifically to trade in foreign exchange options.

Intriguing

For London this is an intriguing departure from the tradition of not duplicating similar contracts between different institutions. Liffe (the London International Financial Futures Exchange) has already ennounced plans to introduce cash forex options soon. Liffe argues that it has its market makers in placo and they ere donbly qualified in leveraged forward trading and foreign exchange.

These skills are not so widely available among Stock Exchange members. On the other band the failure of Liffe'a existing forex futures eontracts bas not provided a sound base from which to move into this new field. The Stock Exchange may also integrate into its plans the London interbenk market's proposals to standardise their own cash forex options trade. This would overcome tho lack of market makers.

The banks are already expert in writing so-called over-the-counter options. These compare with traditional options in that they cannot be sold to e third party. But for a major forward forex or interest rate exposure they offer the advantage of precision; used as a bedge they can be written for sums and dates exactly matching those of the client's risk.

The writer of these options can either minimise his risks by keeping a square book—matching the writing of puts and calls for similar dates—which is an impractical and limiting proposition, or by hedging his net exposure.

Almost all of this marginal hedging business by writers has been going to the U.S. markets.

Both the Chicago Mercantile Exchange and the Philadelphia Stock Exchange have attracted considerable business which originates from the London-based banks. Philadelpbia's umbrella options clearing body, the Options Clearing Corp, hes opened tentative negotiations with Liffe to assess whether a mutually exchangeable contract might be established between the two exchenges.

Both exchanges will want to determioe whether such a link would improve overall volume rather than dilute existing business, however.

In this broader international context the major success story has been the Chicago Board of Trade's treasury bond futures option. In 1984 over 6.6m T-bond option contracts were traded, equivalent to 20 per cent of the underlying futures contract. This success has encouraged the CBOT to introduce options on its other major eontracts, soyabeans and corn, following last year's decision to rescind a congressional ban, imposed in the 1920s, on options on agricultural commodities.

Mr Robert Goldberg, CBOT chairman, sees options as providing users of tho underlying futures contracts with added flexibility in terms of hedging and investment strategies. He also considers that traded options allow new and sometimes smaller users to enter the market. This is likely to be particularly true in agricultural options, which he expects to attract farmers who seek risk protection facilities.

In addition, Mr Goldberg supports the view that certain options, notably in financial futures, will attract substantial international support. The existing T-bond futures and option market receives significant support from international centres of T-bond trading, notably London and Switzerland. The expansion in marketing U.S. Government debt outside that country will only increase this activity.

The proliferation of options, particularly if accompanied by a greater variation in the types of options available, may generate new problems, however.

Major commission houses in the U.S. ran into serious trouble two years ago when trying to keep pace with the growth in futures contracts, particularly financial futures. The investment required of e commission house in systems and salesmen for new contracts is expensive, especially if a new contract fails to attract popular interest. But failing to ettract popular interest in a new concept such as options could be an even more expensive mistake.

As a result the still embryonic traded option industry is facing a dilemma. Whether to fine-tune the instruments to cater mainly for the needs of the big-money battalions who will support the market, or to produce a more basic, smaller contract in order to attract more popular support, and in this way give the market much greater depth and liquidity.

Popular support

In tho end it will be horses for courses. Those financial sectors which already attract popular support, such as stocks and shares, will probably do best to gear the new options to suit existing investors. But there seems little point in designing options on, for example, foreign exchange or debt instruments for any users other than the professional investment fraternity.

It is possible that this approach will produce grey areas, such as options on stock indices (introduced in 1984 on the Stock Exchange). But generally the financial servicee industry already knows that innovation is expensive and that introducing too much choice can be counter-productive.

Once the new generation of options is in place, therefore, the markets can expect to begin e period of consolidation, marketing the new instrument in e way which will broaden the base of the financial market quite considerably.

London exchanges in particular, which have no great experience of retail marketing, may be persuaded to adopt a more U.S.-style approach to marketing. And with many of the big U.S. commission houses already in place, this could provide an interesting challenge for some of the remaining independent companies.

Traders from Singapore familiarise themselves with the "open outcry" system of floor trading at the Chicago Mercantile Exchange.

Many teething troubles

Far East
CHRIS SHERWELL

FUTURES exchanges in Asia face a considerable challenge in 1985, as the following brief catalogue of developments illustrates:

● The Singapore International Monetary Exchange (Simex), Asia's first financial futures exchange, has had a disappointing start since it opened last September. Volumes have tended to be low and some locals have already run into financial difficulties.

● The start of the Hong Kong Futures Exchange continues to face delays over technical and legal matters. The exchange, to be set up from a re-organised Hong Kong Commodities Exchange, is also talking now of links abroad, perhaps with Philadelphia, to counter Singapore'a novel tie with the Chicago Mercantile.

● The Kuala Lumpur Commodities Exchange, hit by substantial defaults in palm oil futures trading a year ago, has still not recovered, although trading continues in rubber. Changes in the exchange's structure are expected soon, following investigations conducted over the past few months. It is hoped not only to revive palm oil futures trading but also to introdnce tin and cocoa futures.

● There is talk of a Japanese financial futures market being established in Tokyo before the end of the year. The Ministry of Finance is said to be considering the idea of trading in yen bond futures, adding to the deregulation already taking place in other financial fields. But the whole concept of a futures exchange remains an anathema to the Japanese authorities.

Some of these doubts, difficulties and delays are of little surprise. Futures trading in Asia is a young business in what, in modern economic terms, is a young continent. Financial institutions as much as ordinary businesses or governments are still trying to get fully to grips with the idea.

In Singapore, no one doubts that the link with Chicago, under which positions opened in one exchange can be liquidated on the other in separate trading sessions, has worked well technically and opened the way to round-the-clock futures trading. The uncertainties focus on why volume bas been inadequate.

There ia talk of encouraging more locals to join the exchange and of introducing more contracts. The authorities also plan to introduce comprehensive legislation this year governing financial futures trading.

The principal hold-up in Hong Kong haa been the finalisation of the exchange's rules, in particular those concerning the eligibility of member firms and those relating to compensation by the exchange in the event of member's defaults.

Although the exchange will not compete directly with Singapore — the contracts will be different — the hope is that the colony's more free-wheeling business climate will make it a greater success.

The first financial futures contract to be traded in Hong Kong will be a stock index contract based on the local Hang Seng index.

Currency futures contracts involving the U.S. dollar and Hong Kong dollar are likely to follow, and contracts for metals or additional agricultural products are mooted.

In Malayasia the authorities' principal aim is not to try to compete with other exchanges but simply to develop futures trading in the commodities the country produces.

Higher profile being taken

France
DAVID MARSH

FRENCH futures markes bave kept a low profile for some years with only sporadic sorties into the limelight, usually occasioned by the whiff of scandal rather than by any scent of success.

Now, this is changing as the Paris financial and commodity scene becomes gradually influenced by world-wide futures market expansion, the result of a breakdown of traditional demarcation lines between different sectors.

Additionally, the French Socialist Government appears to be more convinced than the previous right wing administration of the need to buttress and build upoo the Paris futures markets in order to avoid losing further ground to the dominant marketplaces of the Anglo Saxon world.

The surest sign of growing interest in French futures is that a dispute has broken out in Paris over the setting up, perhaps for later this year, of the capital's first financial futures market.

Under a plan put forward at the end of last year by the French Stockbrokers Association, in liaison with the Finance Ministry, futures dealing for bonds is to be introduced.

M. Michel Wiart, president of the French Commodity Brokers Association, has complained of lack of consultation over the project.

He said it appeared "paradoxical" that discussions over the new scheme were going ahead without the participation of the Paris commodity broking community.

He recalled that a series of measures bad been put into effect to strengthen the commodity sector, including a properly functioning clearing system and the establishment at the end of last year of an official commission to supervise the Paris markets.

The brokers association is also worried about plans, supported by regional farmers, to set up further commodity markets around France. M Wiart said these ran the risk of being financially unsound. They include projects for eggs, chicken and pork markets, following the recent introduction of potato futures trading in the oorthern city of Lille.

As for the Paris market itself, which trades priocipally in robusta coffee, cocoa beans and white sugar (a soya contract reopeoed in 1982 has been moribund), 1984 was a year of consolidation against the background of generally depressed world commodity markets.

The three main sectors increased trading volume by 2 per ceot last year, compared with falls of 19 per cent and 11 per cent respectively in London and New York.

Paris remains a futures trading minnow however making up 8.2 per cent of international trading in robusta coffee, cocoa beans and white sugar last year. This compared with 25.9 per cent for London and 65.9 per cent for New York.

The most importaot Paris market, white sugar, accounts for 98 per cent of trading volume, giving Paris a share of 9.8 per cent in this sector worldwide (against only 1.6 per cent in cocoa and 0.5 per cent for coffee).

Compared with 1979, the Paris share of the three markets in total has nevertheless risen from only 3 per cent.

To breathe more life into the cocoa and coffee sectors, the brokers association is discussing introducing effective dollar or sterling quotations for non-resideots. This follows a switch from French francs already introduced for white sugar. And the association could bring in a new contract—cocoa butter—next year to respond to demaod for trading in this material from the chocolate industry.

Closer overseas ties

Australia
LACHLAND DRUMMOND

THE ORIGINAL title — The Sydney Greasy Wool Futures Exchange — gives a clear guide to the underlying reasons for the Australian futures market getting off the ground.

In the 25 years since its foundation, the name has been pared back to the Sydney Futures Exchange, but while the title has been trimmed, the range of contracts available for trading has been continually upgraded to meet changing requirements and to match international developments.

This push to link with the world markets will be taken a substantial step forward this year when a trading arrangement with the Commodities Exchange in New York is completed for gold futures. Only Government approvals are awaited.

Once the errangements are complete, traders will be able to open contracts in either centre and close them in the other, with the Comex clearing house likely to be used to provide the common settlement link.

The move will extend the trading hours for the Comex contract and from the Australian end should breathe some life into a contract which has been dormant for some time.

Gold futures were introduced to the Australian market only in 1978, after bans on personal gold holdings were lifted, and became the third contract after wool and live cattle (introduced in 1975) to be traded.

As well as being among the most recent, the contracts based on the Australian All-Ordinaries Share Price Index (SPI) and 90-day bank bills, have proved outstandingly popular with investment and financial institutions seeking to hedge various exposures, and with the speculative traders.

The SPI contract regularly dominates trading and produces average daily contract turnovers of around 750. The interest rate contract provided by the 90-day bank bill has been joined by the two-year and 10-year Government bond futures, although only the 10-year contract has found much favour. The bank bill contract vies with the index futures in daily volume.

The U.S. dollar contract, introduced in 1980 after eight years of negotiation with the Government, is the third most active contract, with recent average volumes of more than 200. Other contracts turnover 60 or less each day.

Of the range of financial futures traded, only the 90-dey bill contract is deliverable, the remainder being settled mandatorily in cash.

Silver and fat lambs fill out the current range of contracts available, although the exchange this year expects to introdnce an edditional product, exchange traded options.

It is expected the options on futures will be limited to the bank bill, share price index and U.S. dollar contracts in the early stages. It is also anticipated that with the ability to sell the options to a third party —rather than being left with abandoning or exercising the option—that greater depth will flow to the options market and that it will stimulate additional futures trading.

As with all existing futures contracts, the International Commodities Clearing House (ICCH) will hold the premiums on the options on futures. The 28 floor members of the exchange are also members of the exchange clearing honse along with ICCH.

The Sydney Stock Exchange has recently introduced dealings in gold and silver options. Through participation with the European Options Clearing Corporation, Amsterdam, Montreal and Vancouver, Sydney's arrangement will enable selected options to be traded on a 24-hour basis around the world.

Gold contract initiative

The Netherlands
LAURA RAUN

AMSTERDAM'S futures markets bave a modest and ephemeral history but may get a boost from the planned introduction of gold futures trading in a couple of months.

Trading in potatoes and live hogs, the only active markets at the moment, is conducted between participants over-the-counter, that is via telephone and telex. Without an actual trading floor these markets operate on a low profile, largely serving as hedging and speculative instruments for Dutch farmers.

Domestic market participants account for around 70 per cent of turnover with foreigners making up the rest, eccording to the Nederlandse Liquidatiekas (NLK), the clearing house for futures transactions. Trading is aupervised by the General Foundation for Futures Markets, a non-profit organisation.

Dealings in live bogs have been most buoyant in recent years, with turnover quadrupling to an estimated 12,000 contracts last year, compared with 1981 when the market was established.

Pig farmers have turned increasingly to live hog futures for hedging their stocks and away from the older pork meat futures market, which was begun in 1977. As volume in pork meat futures plunged, trading was suspended and the market is no longer active.

The most durable market bas been that for potato futures, which have been changing hands since 1958. Volume has proven quite erratic, though, with turnover for large potatoes (50 mm) trebling to 132,945 contracts in the 1983 crop year (November to May) but then plummeting by half to 60,349 in 1984.

Less successful have been the futures markets in eggs, calves and cocoa, all of which have become moribund in recent years.

The most promising initiative in Hollend's futures markets has come from the European Options Exchange (EOE), which plans to leunch gold futures in April. Such a market would be the first for gold futures in Continental Europe, and may stand to gain from the expected closure of London's troubled gold futures market.

The Amsterdam-based EOE will put up half of the capital for the gold exchange and provide the trading floor, although the management and membership will be separate from the EOE. Mr Tjerk Westerterp, general director of the EOE, says the gold futures market will initially be designed for Dutch investors, but hopes are that it will become an international market capeble of competing with New York. Trading is to begin as e two-year pilot programme to determine whether Amsterdam can attract sufficient business to survive in the increasingly competitive atmospbere of global money centres.

At first, contracts will be based on a half kilo of gold and priced in Dutcb florins, thus appealing primarily to Dutch institutional investors. It is believed, however, that the large Dutch pension and investment funds will find gold futures attractive enough to provide the liquidity necessary to offer an international market.

If volume grows satisfactorily, additional contracts would be priced in dollars and based on 100 troy ounces of gold. Those are the contract specifications of the New York Commodity Exchange, the world's leading gold futures market, and could open opportunities for arbitrage and hedging between the two markets.

Mr Westerterp also says a financial futures market—initially geared to domestic participants—could follow by the end of this year. Treding could be conducted adjacent to the gold futures market, with the EOE again taking balf of the share capital. The management would probably be the same as the gold futures exchange while membership conld be linked.

The contracts would be based on domestic Dutch interest rates, which are quite close to Euromarket rates, due to the Netherlands's comparative lack of capital controls. The first two contracts would probebly cover short-term money market rates and long-term government bond rates.

International Futures 6

Innovation becomes basis for expansion

The U.S.

NANCY DUNNE

WHILE THE tital number of futures traded in the U.S. climbed 6.32 per cent to 149m last year, volume was down in seven of the 11 American exchanges.

Even among the exchanges which did well overall, declining volatility in many key markets made clear that innovation and change must continue if the futures industry is to sustain anything like its extraordinary growth of the past.

The Chicago giants — the Board of Trada (CBT) and the Mercantile Exchange (CME)—were both among last year's winners, because both foresaw the need to hedge thair traditional markets with new futures and options tools.

Oo the Chicago board, tradiog in the Agricultural Complex, dragged down by world farm surpluses, plunged to below 3m cootracts, down from 3.8m in 1983 and 5.4m in 1980. However, volume in the exchange's two important financial contracts soared. Here uncertainty over long-term interest rates provided a demand for treasury bond and treasury note futures.

T-bonds continued to be the industry's most popular product with a volume that rose from 19.5m in 1983 to almost 30m in 1984. Six and one-half to ten-year treasury notes turned in a volume of 1.66m last year, up from 814,500 in the previous 12 months.

The CBT's much delayed, and controversial, Major Market Index, similar to the Dow Jones Index, came from virtually nowhere to achieve a yearly volume of 1.5m. It is throughout to be cutting into the business of the sole viable contract on the New York Futures Exchange — the New York Stock Exchange Index.

The strength of treasury bond futures has beeo carried over into the T-bond options, where volume climbed to 6.6m. The board's first agricultural option contract — soyabeans — turned in a bealthy 73,000 volume last year.

"This will be the year of the option," says one CBT spokesman. Maize options were to be launched on February 27, silver options are tentstively scheduled for March 29 and treasury note options are expected some time in June.

It is also the year of more indices. A municipal bonds index, developed at the urging of the municipal securities industry, is to be introduced in April or May. An index based on over-the-counter stocks, developed with the National Association of Securities Dealers, was to be submitted for approval to the Commodity Futures Trading Commission (CFTC) in mid-February, and the CBT hopes to get agreement soon with the London Stock Exchange to trade the first international index, the FT-SE 100.

Over et the CME, it was the stock index contract, the Standard and Poor 500, which saved last year by turning in a volume of 12.4m. Eurodollars took off in 1984, after three years of build-up. Trading contracts rose from 891,000 in 1983 to 4.2m last year.

Action, however, slowed in most CME pits. Livestock volumes declined and most of the currency volumes fell, with the exception of Deutsche Marks and Swiss francs. Domestic 90-day certificate of deposits dropped from more than 1m trades in 1983 to 929,000 trades in 1984.

The CME's option contracts —S and P 500 and Deutsche Marks—turned in a good showing with volumes of 673.000 and 728,000, respectively. Live cattle futures moved steadily but unspectacularly with a 1984 volume of more than 20,000. Options on live bogs, introduced on February 1, seem to be building faster than did cattle options.

The exchange's managers bope to boost 1985 volume with three new options contracts. Two currency options — on tha British pound and the Swiss franc started on February 25 and Eurodollar options are scheduled for March. The CME is also planning an over-the-counter stock jodex, oow being developed with Standard and Poor.

Futures volume fell just 2 per cent last year oo the Mid-America Exchange where its new president, Mr Lee Berendt is talking of adding more full-sized cootracts in order to become more cost competitive.

This year the Mid-Am plans to introduce contracts in soyabean oil and aoyabeao meal, as well as options on its current soyabeans contracts.

The New York exchanges seem to be edging slowly towards the merger which industry officials think ongbt to bappen — for reasons of increased efficiency — and never seems to happen.

Negotiations between the New York Futures Exchange (NYFE) and the Commodity Exchange (COMEX) collapsed early this yeer wben the two sides were unable to come to an agreement on a whole range of issues ranging from differeot seat valnes, exchange organisatioo and the aize of governing bodies.

"Our constituencies ere very different," says Mrs Rosemary McFadden, president of tbe New York Mercantile Exchange (NYMEX). "I think a merger will be an evolutionary process, occurring in stages," sbe edds.

Many of the first stages seem visible. Last summer Comex began handling the tallying of buy-sell orders and related paperwork for the New York Cotton Exchange. This could be a step towards a joint clearing operation.

NYMEX has worked a deal with the New York Cotton Exchange (NYCE) so that its members can trade the NYCE's liquid propane gas, and Cotton Exchange members can trade the NYMEX cash potato contract.

Going even further, the Cotton Exchange has announced plans to trade a U.S. dollar index based oo the Federal Reserve Board's Trade-weighted Dollar Index and calculated against eight European currencies, the yen and the Canadian dollar. The exchange says it would permit floor traders from the Coffee, Sugar and Cocoa Exchange (CSCE), Comex and NYMEX to trade the new contract for their own accounts.

CSCE officials say they are "definitely considering" opening their new index contract, based on the consumer price index, to outside traders when it is introdnced in the spring.

Meanwhile, the New York Futures Exchange says it is considering merger talks with tha Cotton Exchange or perhaps, relocating the NYFE oo part of the Comex floor.

NYMEX, last year's fastest growing exchange, is planning a natural gas future later in the year, but meanwhile, mainly, is relying on continned growth from its existing contracts, particularly cruda oil futures.

COMEX retained a remarkably high turnover on its gold and silver contract in view of the depressed state of these markets last year. Turnover of over 9m lets kept gold futures as tha fourth biggest market, and silver with an increase to 6.7m lots retained its position as sixth largest.

Trading in options for gold and silver rose sharply, and it is planned to introduce copper options later this year.

Futures Volumes on U.S. Exchanges

EXCHANGE	1984 Contracts	1984 %	1983 Contracts	1983 %
Chicago Board of Trade	67,667,952	45.30	62,811,523	44.89
Chicago Mercantile Exchange	43,449,682	29.08	37,830,044	27.04
Commodity Exchange, Inc.	18,447,038	12.35	20,014,597	14.30
New York Mercantile Exchange	5,344,995	3.58	3,926,589	2.81
Coffee, Sugar & Cocoa Exchange	4,185,882	2.80	4,876,069	3.48
New York Futures Exchange	3,456,798	2.31	3,510,285	2.51
MidAmerica Commodity Exchange	3,101,855	2.08	3,166,537	2.26
Kansas City Board of Trade	1,897,803	1.27	1,693,042	1.21
New York Cotton Exchange	1,476,510	.99	1,703,105	1.22
Minneapolis Grain Exchange	340,732	.23	379,607	.27
Chicago Rice & Cotton Exchange	2,978	.01	13,542	.01

Source: Futures Industry Association

Options Contracts Traded on U.S. Exchanges

Option	1982	1983	1984
Chicago Board of Trade	118,772	1,664,921	6,636,209
T-Bond	—	—	72,969
Soybeans			
Chicago Mercantile Exchange	—	281,090	672,884
S and P 500	—	—	727,634
Deutsche Mark	—	—	20,722
Live Cattle			
Kansas City Board of Trade	—	168	—
Value Line Index	—	—	878
Wheat			
Minneapolis Grain Exchange	—	—	624
Spring Wheat			
Mid American Grain Exchange	—	—	318
Gold	—	—	2,149
Soft Red Winter Wheat			
NY Coffee, Sugar & Cocoa	1,842	7,583	11,969
Sugar			
NY Commodity Exchange	56,736	386,501	1,432,514
Gold	—	—	99,843
Silver			
NY Cotton Exchange	—	—	3,078
Cotton			
NY Futures Exchange	—	306,682	246,359
NYSE Composite			
TOTAL	177,350	2,646,865	9,928,141

Source: Futures Industry Association.

Steps to improve competitiveness

The UK

JOHN EDWARDS

THE London futures exchanges are preparing to fight back.

Last year was not a particularly good one for London. The crude oil contract launched on the International Petroleum Exchange failed to get off the ground. The London gold futores market too failed to attract sufficient support to keep going. Turnover oo the Londoo Commodity Exchange was lower, with the sugar futures market suffering badly from a decision to switch from a sterling to a dollar based cootract.

There was general gloom and doom as it appeared that an increasing amount of futures business, especially from Europe, was being diverted from London to the U.S. exchanges.

There were some bright spots. Trading activity on the Londoo International Financial Futures Exchange (Liffe) rose steadily. The FT-SE 100 index (footsie) contract has so far performed disappointingly, but this was more than offset by increased support for the Eurodollar, gilt and three-mooth sterling contracts, as well as the successful laonch of the U.S. Treasury Bonds cootract.

Turnover on the London Metal Exchange declined slightly, bot its standing as the world metals trading centre was enhanced by its aluminium cootract continuing to do well, in difficult market conditions, while the rival contract in New York struggled hard.

The development of a domestic UK agricultural futures markets complex continued, and plans have also been formulated for the launch in May of the world's first freight futures contract (known as Biffex — the Baltic International Freight Futures Exchange).

If successful Biffex could open up futures trading to a whole new international industry, with huge potential.

Last year may, in fact, prove to have been a turning point for the Loodon futures industry. The hard times suffered by the exchanges, and the member companies, appear to have galvanised them into taking some positive action to improve their competitiveness and try to stop the flow of business overseas. It has been beletedly recognised that speculation is oot a dirty word but an essential ingredient to a successful futures market.

The first, and most important step has been to push ahead with plans to improve investor protection. This is part of a general move throughout the City of London to give investors a fairer deal, but it is particularly important for the UK commodity exchanges.

A series of scandals highlighted the need for greater regulation, which is now seen as an essential part of the drive to attract more business from overseas.

Originally when the U.S. Commodity Futures Trading Commission was formed, London anticipated gaining extra business from traders who disliked the bureaucratic rules and regulations on the U.S. exchanges. In fact exactly the opposite happened. It has become apparent that most investors and traders prefer to deal in tightly regulated futures markets, where they feel safer, rather than in the less controlled, free and easy, atmosphere of London.

It is hoped that the proposed self-regulatory organisation, the Association of Futures Brokers and Dealers (AFBD) will become fully operatiooal within the next few months. Although several problems, including the cost, remain to be resolved, the AFBD is likely to have wide sweeping powers that could bring a radical change in the attitude of investors to the Loodon markets.

At the same time it is hoped that the UK Government will shortly alter (possibly in the forthcoming Budget) the existing tax treatment of investors in the futures markets, harsh when compared with other forms of investmeot.

Doom and gloom persisted last year as it appeared an increasing amount of business was being diverted to the U.S.

The receot White Paper on investor protection also held ont hope that the outdated legislation forbidding the promotion of futures funds in the UK would be changed to allow these funds to operate onshore with direct appeal to British citizens.

These measures should help boost domestic use of the Londoo futures markets, giving them a firmer base on which to launch a campaign to win more overseas business, especially in Europe.

At preseot most of the European futures business goes to the U.S. Loodon as the leading European financial centre, with a long history as an international commodity trading centre and all the necessary infrastructure, considers it should be more than competitive for futures business from the European time zone in particular.

At the same time talks are being held to try and change the existing situation whereby U.S. private investors face paying a higher rate of taxation when trading in the London markets.

Loodon considers this to be a ridiculous anomaly that can and should be put right.

Meanwhile, members of the London Commodity Exchange bave demonstrated their long-term faith in the prospects for the markets by agreeing to an ambitions plan to move into larger, purpose-built, premises at the beginning of 1987.

Funds to meet the cost, estimated at around £4m, have already been set aside by the exchanges. It is hoped that in years ahead the new development oo St Katherine's Docks, close to the Tower of London will become the centre for all Londoo's futures markets.

There is ample room for expansion and, as the New York exchanges found, there are considerable benefits available from grouping different exchanges in a common building.

There may be strong resistance to the idea, especially from the London Metal Exchange, at present. However, the rising cost of keeping several "floor" traders in different markets, and the general trend of futures brokers to extend their activities across the board, might bring a change of heart in the year ahead.

In any event, the Loodon exchanges seem to have woken up to changing attitudes in futures trading and are taking steps to strengthen their position to compete not only with other futures markets overseas bot also with alternative forms of investment.

SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Tuesday March 5 1985

Frates joins new bid for Frontier

DALLAS – A group of investors led by Mr Joseph Frates, a Tulsa, Oklahoma, businessman, and a coalition of Frontier Airlines employees have joined forces in an effort to acquire the ailing airline for $185.6m, or $16 a share.

It is not clear whether the group will be able to arrange financing in time to save the troubled airline, however.

The proposal supplants a $220.4m or $19-a-share bid that the employee group made for the company in December. The latest offer is among a number of options, including liquidation, that the company's board is considering.

The Frates-led group plans to keep the airline's base in the competitive Denver market, according to Mr Will McFarlane, chairman and president of Aircoa, a closely held Denver-based hotel development and investment concern which is a member of the group.

Mr Frates and his Frates Enterprises group led investors last year in a leveraged buyout of Kaiser Steel for $374.4m, paying only $1m of its own money to complete the deal and financing the balance with Kaiser's cash reserves and the sale of the company's assets.

The proposed buyout of Frontier would be similarly structured. Investors would obtain financing for the purchase using Frontier's assets as collateral. Those assets include about $50m in cash, an estimated $50m from an overfunded pension plan and 33 Boeing 727-200 aircraft.

● **Eastern Air Lines**, the major U.S. carrier, said its lenders had reinstated certain covenant relief the company had requested, thereby curing the company's default.

Eastern said it went into default on February 1 when it could not produce a business plan which met the requirements of earlier loan agreements. Reuter

Mostek lays off 620 as semiconductor slump continues

BY LOUISE KEHOE IN SAN FRANCISCO

UNITED Technologies' Mostek subsidiary announced yesterday that it is laying off 620 production workers, about 10 per cent of its U.S. workforce, blaming the continuing downturn in the semiconductor industry.

Mostek is also reviewing all its overseas operations. The company has a large assembly and test facility in Ireland.

Mr Harold L. Ergott Jr, Mostek's president, said: "The cutbacks are necessary because of the continuing low level of demand for dynamic Rams (Random Access Memory) and other integrated circuits, which has forced us to join other U.S. semiconductor makers in reducing our workforce."

"Wa will introduce more new products this year than ever before, and we are moving ahead with plans to maintain our production facilities at the state of the art," said Mr Ergott.

Mostek's action follows layoffs at Texas Instruments, Intel, Seeq Technology, Micron Technology and Zilog as well as temporary shutdowns at National Semiconductor, Signetics and Mnnolithic Memories.

A leader in the market for 64k D-Rams, Mostek has been hit harder than most U.S. chip makers by a steep drop in prices of these components. Each 64k D-Ram now sells for under $1 each, down from $3-$4 a year ago. Mostek ranks as the eighth largest U.S. semiconductor manufacturer, with 1984 revenues of approximately $430m.

Bechtel orders show sharp fall in 1984

BY OUR SAN FRANCISCO CORRESPONDENT

BECHTEL of the U.S., the world's largest construction and civil engineering company, suffered a huge drop in its volume of business last year. New orders placed with the San Francisco-based company plummeted 61 per cent to $5.1bn, from a record $13bn in 1983. An improvement "is not anticipated before 1986," said Mr Stephen Bechtel, chairman.

Work performed and billed, which Bechtel refers to as revenue workoff, dropped 39 per cent to $8.6bn from $14.1bn in 1983. The company, which is privately owned, does not disclose earnings, but Mr Bechtel said that 1984 had been profitable.

Explaining the drop in new work, Bechtel said that 1983 had been an exceptional year. The company won a contract for a major power plant in Texas and was at that time receiving new orders from ongoing projects in the Middle East. Most of that work has now been completed.

"We must remember that 1980 to 1983 were extraordinary years for Bechtel, mainly as a result of the surge in energy-related projects that fnllowed in the wake of higher oil prices," said Mr Bechtel. He called the fall in new nrders "a return to historical workload levels."

Throughout the 1970s Bechtel averaged $5.4bn in annual orders. The company expected 1984 to be a bad year: it had to lay off more than 9,000 workers.

Cancellations of a nuclear power plant in Michigan and a coal slurry pipeline project in Wyoming were among the causes of job cuts.

"Further, though much lesser" cutbacks might be necessary, the company says.

New offer halts Deak Perera disposal

By William Hall in New York

PLANS to auction the Zurich-based Foreign Commerce Bank (Focobank) to pay off the debts of Deak & Co, parent of the U.S. money changing group, have been suspended after the emergence of a mystery bidder for the whole of the Deak-Perera financial empire.

Several financial institutinns, including, Dow Banking Corporation, the Beirut-hased Bank Almashrek and AIG, the U.S. insurance giant, had bid for Focohank, a small Swiss bank with subsidiaries in Austria and the Cayman Islands. Focobank has a 49 per cent stake in Deak-Perera U.S. and a "substantial interest" in Deak National Bank, a small U.S. bank.

However, a U.S. bankruptcy court judge adjourned a hearing last Friday on the planned sale of Focobank until April 12. Lawyers for Deak & Co, which has filed for protection under Chapter 11 of the U.S. bankruptcy code, and creditors supported the adjournment. The move was criticised by several of Focobank's bidders.

Cadwalader, Wickersham & Taft are the U.S. lawyers representing the client interested in financing a reorganisation of the Deak financial empire, an empire which controls the oldest and largest foreign exchange and precinus metals.

The Wall Street law firm refuses to disclose the name of its client but says that it has been involved for many years in many nf the same businesses as Deak and Focobank "and has sufficient assets to effect the contemplated transaction, bas the qualifications to nhtain the requisite Swiss banking authnrity approvals, has nffices and facilities throughout the world and would be in all respects capable of managing Focobank and/or Deak after an acquisition."

Deak & Co has terminated an earlier stock purchase agreement under which it agreed to sell Focobank to Dow Banking.

Mitsubishi expands into Europe

BY ALAN FRIEDMAN IN MILAN

PIAGGIO, the leading Italian maker of mopeds, scooters and three-wheelers, has signed a joint venture agreement with Mitsubishi Heavy Industries of Japan. The plan allows the Italian company to manufacture under licence turbo compressors for the mntor industry in the European market.

The agreement, signed in Tnkyo by Mr Takayuki Azuma nf Mitsubishi and Sig Giorgio Brazzelli, managing director nf Piaggio, is designed to last for 10 years and is Mitsubishi's first attempt to manufacture turbo compressors for Europe and in Europe.

According to estimates by Piaggio, the goal is to take as much as 20 per cent of the European market by the end of this decade, which would make Mitsubishi-Piaggin the fourth supplier in Europe after KKK of West Germany, IHI of Japan and Garret of the United States.

This target is based on an assumption of a European car market of 10m units, of which a fifth represent turbo cars. Piaggio hopes to produce about 400,000 turbo compressors a year, starting in 1987.

The Mitsubishi deal could have profound consequences for Piaggio's group turnover, which in 1983 stood at L600bn ($286m). It also signals the intention of Mitsubishi Heavy Industries to use Italy as its main export platform for the European market.

● Sig Carlo de Benedetti's Turin-based CIB holding company announced yesterday that its Sasib tobacco machinery subsidiary has won a L100bn ($47.6m) contract from China's Natinnal Tobacco Corporation. Sasib is to supply, beginning in 1986, machinery for the cigarette market in China as well as technical knowhow and spare parts.

The deal represents one of the larger contracts won by an Italian company in China and the largest awarded by the China National Tobacco Corporation. In recent months contacts between Italian companies and Pekiog have intensified, with Fiat Tractors winning hefty orders and Italy's machine tools manufacturers also finalising new agreements.

● In Milan yesterday, Snamprogetti, the plant engineering and contracting subsidiary of the ENI state energy corporation, said it had been appointed "main contractor" for the construction of a $600m fertiliser plant in India.

Andersen to study link with SGV

BY BARRY RILEY IN LONDON

ARTHUR ANDERSEN, the world's biggest accountancy firm, is to discuss close trading links with SGV, the Philippines-based firm which dnminates the accountancy and professional services sector in the Far East, apart from Japan.

SGV's chairman, Mr Washington SyCip, is the best known accountant from the region and is currently chairman nf IFAC, the Internatinnal Federatinn of Accountants.

The firm has 3,500 personnel and 150 partners, and besides the Philippines it is active in Indonesia, Thailand, Malaysia and Taiwan. However, it is understood that the partners in the South Korean practice have decided to remain outside the relationship now to be discussed with Andersen.

The plan is that SGV will jnin Andersen's worldwide organisation, but a statement by Andersen yesterday avoided the word merger. Mr Duane A. Kullberg, managing partner and chief executive of Andersen, referred to a "closer working relationship" which, he hoped, would be formalised within six months.

A considerable degree of autonomy is expected to be retained by SGV. In the past it has had a number of loose relationships with various big international firms, including Andersen.

A tie-up with SGV would give extra geographical coverage to Andersen, which worldwide has more than 27,000 personnel, including 1,700 partners.

$490m agreed bid for Hoover Universal

By Our New York Correspondent

JOHNSON CONTROLS, a Milwaukee-hased industrial conglomerate, is making an agreed $490m takeover bid for Hoover Universal, a Michigan engineering company, in a move which will create a major new supplier to the U.S. auto industry.

Jnhnson is making a cash tender offer for up to 6m of Hoover's 13.4m outstanding shares at $36.50 a share. It is also offering 0.83 shares nf Jnhnson stock fnr each nf the remaining Hoover shares as long as the Johnson share price is in the range of $40 to $48 a share.

Jnhnson's shares fell $1 to $43¼ in early trading yesterday, while Hoover's rose $6¼ to $35.

The two companies say that the combined corporation will be the largest independent manufacturer of seating for cars and light trucks, supplying all U.S. operations of domestic and foreign car companies. It will also be the leading supplier of plastic bottles and containers. Hoover will strengthen Johnson's positinn as an important supplier to the automotive industry.

Johnson is a leader in automated building controls, automative batteries and industrial process instrumentation and piping systems.

Earnings boost at Alpargatas

By Ann Charters in Sao Paulo

SAO PAULO Alpargatas, Brazil's largest manufacturer nf textiles, shoes and clothing, lifted 1984 profits to Cr 62bn ($34m), up 52 per cent in real terms over the previnus year's results.

The company attributed the improvement in earnings to a reduction in operating incentives and better administration of working capital.

Sales totalled Cr 927.9bn ($506m at the yearly average exchange rate), an increase of 215 per cent over 1983 sales of Cr 294.6bn

UPI chief sacked as owners seek capital

BY TERRY DODSWORTH IN NEW YORK

THE TWO principal owners of United Press International, the world's largest newsagency, are seeking fresh nutside capital for the company in a move which may mean relinquishing their control of the organisation.

In a jnint statement yesterday, Mr Douglas Ruhe and Mr William Geissler added that the contracts of Mr Luis Nogales as president of UPI and Mr Ray Wechsler as financial consultant were being terminated. They gave no reasons

The announcement comes after drastic action to cut costs at UPI last year, including a 25 per cent wage cut for the agency's 2,000 staff and redundancies of about 10 per cent. Mr Nogales was generally regarded as the main architect of this move to trim operating costs, which included cancellation of all company credit cards,

These cost reductions helped the group make a $1.1m operating profit in the final quarter of 1984, its first profit since 1963.

Fiat finally steers Lancia back to the black

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN GENEVA

FIAT HAS successfully breathed life back into its Lancia subsidiary. This year Lancia's car sales should be well over 200,000, and it will make a profit for the first time in many years, said Sig Vittorio Ghidella, Fiat Auto's managing director yesterday.

He was formally launching the latest Lancia model, a small car called the Y10, which completes the renovation and renewal of the Lancia range.

Sig Ghidella recalled that when Fiat took over Lancia in 1969 it was to save a famous Italian company which was in danger of extinction. Lancia's sales had fallen to as few as 40,000 cars a year and some observers believed the name would simply become a badge used for Fiat's top of the range models.

Instead, a separate range of Lancia models has been developed alongside those of Fiat. Sig Ghidella says that about one-third of Fiat Auto's $1bn a year investment programme has been devoted to the subsidiary.

A separate dealer network has been established in most European countries, but Lancia has still benefited from the economies afforded by being part of the Fiat group.

For example, the Y10 body will be assembled on the same heavily automated lines at Mirafiori as the best selling Fiat Uno, but will have its own final assembly line capable of producing well over 100,000 a year at the plant near Turin.

The Y10 will be the first car to use the so-called FIRE engine developed at a cost of $335m by Fiat in co-operation with the Peugeot group of France. And some versions of the Y10 will be powered by engines from Fiat's subsidiary in Brazil.

Last year Lancia produced 101,000 cars including about 88,000 of the Autobianchi A112 models. According to Ghidella, the company broke even financially.

Lancia is close to achieving its targeted 10 per cent share of the Italian car market and has overtaken Renault to become the second best selling marque in the country after Fiat. With this domestic base it is worthwhile Fiat supporting a separate Lancia dealer network in export markets.

After much heart searching Fiat intends to continue to capitalise on the Autobianchi name, and will use it for the Y10 in Italy, France, Japan, Greece and Portugal while employing the Lancia badge in other markets.

Questioned about the recently reported discussions between Fiat and Ford, Sig Ghidella said they had been going on some time and insisted there was nothing sensational behind them—all car manufacturers were seeking ways to reduce costs in the face of over-capacity

It was therefore natural that companies should see if there were benefits to the production of components, for example, or perhaps co-operation in some markets such as those in South America. Fiat Auto was talking to several companies, not only Ford, along these lines.

Soc. Generale de Banque in rights issue

By Paul Cheeseright in Brussels

SOCIETE Generale de Banque, the largest Belgian commercial bank, is to strengthen its balance sheet with a one-for-five rights issue.

The intention was announced as the bank declared a 1984 dividend of BFr 225 net, unchanged from 1983. Profits for the year have not yet been posted, but officials said they would be of the same order as in 1983 when the net was BFrs 2.8bn ($41.5m).

No price has yet been set for the rights issue. That will come next month and the offer will go on the market in May.

Shares closed at BFr 3,425 yesterday. A one-for-five issue at that price would raise over BFr 5bn. Discounted by 20 per cent the proceeds would be BFr 4.04bn.

SGB is going to the market in order to maintain the balance between its equity and funds from outside sources. A larger equity base will enable it to take on more deposits, and enhance potential profitability.

It thus appears to be preparing for an upturn in economic activity. During the first half of last year, deposits rose by 3.2 per cent over the end of 1983 and private scector credit facilities went up by 1.5 per cent.

The bank's main shareholder is Societe Generale de Belgique, the biggest of the Belgian industrial and financial holding companels, with a stake of 20.95 per cent.

Conti-Gummi boosts revenues

BY JOHN DAVIES IN FRANKFURT

CONTINENTAL Gummi-Werke, West Germany's largest tyre manufacturer, is continuing to build up business abroad as part of its overall strategy in the highly competitive tyre trade.

Sales revenue from key markets, including other European countries, has been growing faster than total revenue. Tyre production through its partners in the U.S. and Japan is increasing, while its partner in South Africa is also about to begin producing Continental tyres under licence.

Conti-Gummi increased its sales revenue from tyre production by 5 per cent to about DM 2.4bn ($716m) last year, despite market disruption caused by the strike in the West German motor vehicle industry last May and June. The group's overall sales, including other rubber products, was up from DM 3.34bn to about DM 3.5bn last year.

Sales revenue from European export markets increased by 10 per cent with revenue from Spain doubling during the past two years to the nevertheless modest sum of DM 60m. Revenue from North America rose 42 per cent and similar growth is expected there this year.

The group sold 20.1m Continental and Uniroyal car tyres last year, an increase of 3.8 per cent, and aims to sell 21.4m this year. Truck tyre sales rose 6.3 per cent to 2.3m. High-performance and wide tyres showed particularly strong increases.

Herr Wilhelm Schaefer, the board member responsible for tyre marketing, said that production of tyres under licence by General Tire and Rubber of the U.S. and Toyo Tire and Rubber of Japan was building up. Co-operation with General Tire of South Africa is entering a new phase, with Continental tyres to be produced under licence shortly for use in local vehicle production by Daimler-Benz, BMW and Volkswagen.

Herr Schaefer said that Conti-Gummi's tyre business was profitable for the seventh year in succession, even though the European tyre industry on average was not profitable last year.

With over-capacity and strong competition in Europe, Conti-Gummi was pressing ahead with its emphasis on high performance and special tyres, such as those for winter, he said.

Pharmacia lifts earnings 24% to SKr 637m

By Kevin Done, Nordic Correspondent, in Stockholm

PHARMACIA, the Swedish pharmaceuticals and biotechnology group, increased profits by 24 per cent to SKr 637m ($672m) last year in line with company forecasts. Turnover rose by 23 per cent to SKr 2.85bn.

Pharmacia expects profits to rise by a further 20 per cent during 1985, with a slightly higher increase in sales.

Sales increased more slowly in 1984 than in 1983, when they rose by 46 per cent helped by the 16 per cent devaluation of the Swedish krona.

The jump in profits was helped by the group's greater financial strength following the injection of new capital towards the end of 1983.

Profitability was also helped by higher productivity, a substantial growth in the volume of sales.

Capital expenditure rose by 33 per cent to Skr 429m. Marketing expenditure rose by 26 per cent to Skr 863m, while research costs by 37 per cent to Skr 291m.

In common with other leading export companies, Pharmacia has received dispensation from the Government's dividend freeze. It is to increase its dividend to Skr 1 per share from Skr 0.80 per share in 1983.

A Swedish consortium led by Volvo, recently purchased a substantial holding in Pharmacia totalling 26.6 per cent of the votes and 6.4 per cent of the equity.

Suez plans Roussel-Uclaf stake

BY DAVID MARSH IN PARIS

COMPAGNIE Financiere de Suez, the French state-owned financial and industrial holding company, is on the point of taking a minority stake in Roussel-Uclaf, the French pharmaceuticals group which is 54.5 per cent owned by Hoechst of West Germany.

The Suez group has reached agreement in principle to acquire a stake of less than 10 per cent from the French Government, which at present owns 40 per cent of the company.

Although the operation adds up to an exchange of assets in the public sector, it represents an important bid by Suez to enlarge its industrial interests, especially in the high technology area.

Suez has been bidding to take over a stake in Roussel Uclaf for over a year, in competition with the Rhone Poulenc nationalised chemicals group.

Roussel-Uclaf, which narrowly escaped wholesale nationalisation after the Socialist Government took power four years ago, has sharply boosted profits over the past few years. Its shares yesterday were changing hands on the Paris bourse at FFr 1,600, more than five times the price of two years ago.

● Telemecanique Electrique is to buy the industrial controls division of Gould of the U.S. The division consists of three plants with annual sales of around $70m.

The two companies signed a letter of intent to the deal last December. No value is put on the transaction. Gould said the disposal was part of plans to realise some $100m this year from the sale of unwanted assets.

Bank of Italy relaxes rule on bank branches

By James Buxton in Rome

BANK of Italy has announced a small but significant relaxation of its tight rules governing bank branches.

From now on banks will no longer have to get the Bank of Italy's permission to move a branch from one part of a town to another. They need only give the central bank notice of what they are doing.

They can also move branches within the 1,500 or so areas into which the Bank of Italy divides the Italian banking market, provided the Bank of Italy does not object within 30 days.

The relaxations indicate in themselves just how tight is the control the central bank exercises over the country's banks. The banks still must get permission to open branches in the first place.

In an implicit admission of the possible disadvantages of such rigid controls the bank stated that the changes would favour an increase in the efficiency of the banks.

The Bank of Italy's bank branch policy is designed to balance the need for competition with providing wide banking services. Up till now the areas into which the banking market is divided have been kept secret from the banks. This is to change later this year.

KHD expects turnover to decline this year

BY PETER BRUCE IN BONN

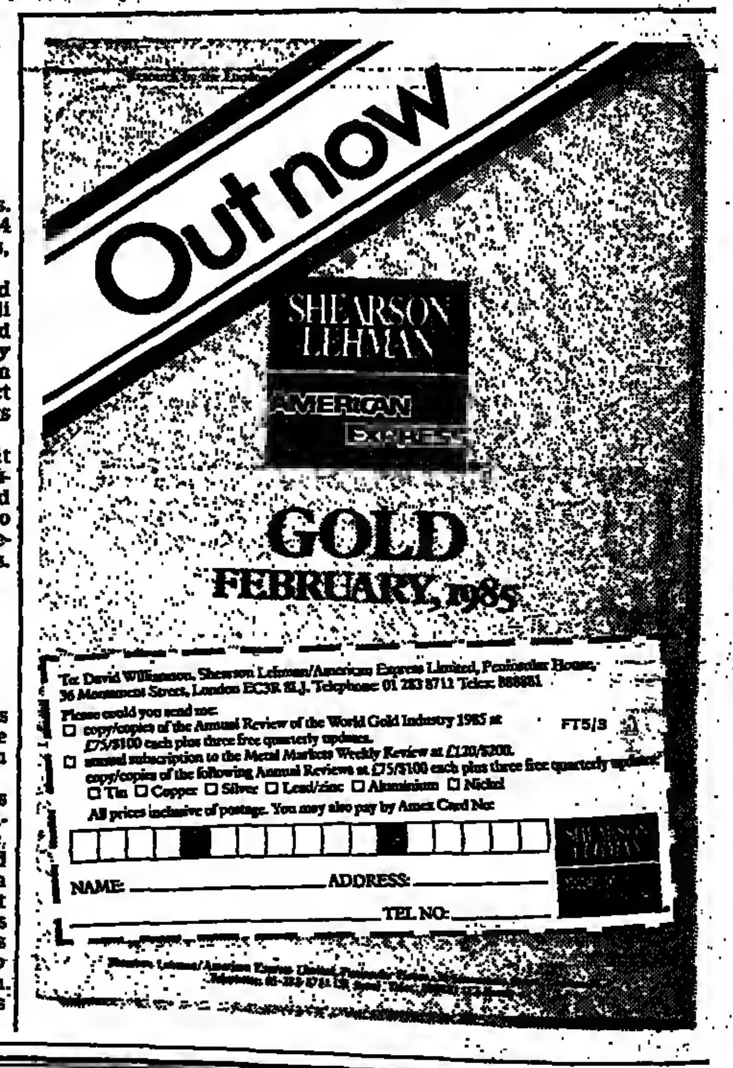
KLÖCKNER - Humboldt-Deutz, the Cologne-based diesel engine, tractor and industrial plant producer, has warned shareholders it expects turnover to fall this year after a 22 per cent rise to DM 4.6bn ($1.37bn) in 1984.

In a somewhat gloomy letter to shareholders, released yesterday, KHD did say, however, that it expected "satisfactory" results for 1984.

Engine sales fell, even though high speed models improved their market positions. The company blamed declining orders from construction equipment producers. Tractor sales also fell, some 24 per cent below 1983 levels, despite strong exports.

Turnkey contracts to build cement factories in Saudi Arabia and Iraq had boosted the plant division, the company said. It based its pessimism on 1985 group turnover on the fact that no large plant contracts had been won for this year.

KHD said that although it was forecasting modest economic growth in industrialised countries this year, it saw no signs of a fundamental improvement in its particular markets.



DSM expands into U.S.

BY LAURA RAUN IN AMSTERDAM

DSM, the Dutch state-owned chemicals company, has acquired Pixley-Richards, a small U.S. concern which makes high-precision plastic components for the electronics, telecommunications and computer industries.

The move is part of DSM's efforts to expand in higher value-added markets and thus lessen its vulnerability in the more cyclical bulk chemicals and fertiliser areas. The Heerlen-based company is accelerating activities in advanced plastics as well as specialty chemicals for the pharmaceutical and nutrition industries.

Pixley-Richards, which is based in Plymouth, Massachusetts, and in Tempe, Arizona, produces polymers and assembles them in precision parts such as integrated-circuit boards. The company, which has sales of $26.4m and employs 500, supplies components to IBM, AT & T, Bendix, Eastman Kodak, Motorola and Texas Instruments.

Solid gain at Rabobank

By Our Financial Staff

RABOBANK, the Dutch bank co-operative which specialises in agricultural services, reports an increase from Fl 566m ($149.7m) to Fl 619m in profits after tax for 1984.

The performance was achieved despite stiff competition for deposits and a general upward pressure on banking margins, the bank said. The year's bad loans provision was Fl 651m, marginally down on the Fl 675m of 1983.

Total assets at the end of the year stood at Fl 127.4bn, against Fl 118.3bn a year earlier.

Banco de Bilbao ahead

By David White in Madrid

BANCO de BILBAO, Spain's fourth largest bank, announced an increase of almost 16 per cent in net profit for last year to Pta 11.535bn ($63m).

The profit is struck after Pta 33.8bn of provisions. The dividend is Pta 125 per share, up from Pta 119.02.

The bank's balance sheet total increased by 5 per cent in the year to Pta 2.11tbn. Deposits were almost 11 per cent up at Pta 1,305bn.

State acts to save Cathay Investment from collapse

BY ROBERT KING IN TAIPEI

IN A MOVE to avert a major financial collapse, the Taiwan government has assumed control of Cathay Investment and Trust Company, one of a number of companies affected by disclosures of financial irregularities and defaults by affiliates of the Cathay group of companies run by the Tsai family.

The Ministry of Finance has appointed three state-run hanks, the Bank of Communications, the Central Trust of China, and the Farmers' Bank of China as joint managers of the company until its assets and liabilities are clarified.

Cathay Investments has been hit by a crisis of confidence sparked by disclosures that the Tenth Credit Co-Operative, an affiliated company, had for some time been engaging in irregular lending practices.

A further disclosure that another affiliate, Cathay Plastic Industry was insolvent triggered a run on the Cathay Investment that over the past three weeks has cost $375m in deposits.

Fears that the steadily drying cash flow would cause the company to collapse and thus affect public confidence in five other trusts had apparently prompted the government takeover.

Police last week arrested the head of both Cathay Plastic and Tenth Credit, Mr Tsai Chen-Chou, on charges ranging from the writing of bad cheques to fraud. They have also arrested more than a dozen other officials over the alleged lending irregularities.

Mr Tsai's half-brother, Mr Tsai Chen-Nen, is head of Cathay Investment.

The MoF said that Mr Tsai of Cathay Investment had himself suggested the government's intervention because the arrest of his hrother had seriously eroded confidence in the company.

Foreign hankers in Taipel are seriously worried that Cathay Investment's troubles are more critical than Mr Tsai has admitted. One banker estimated privately thet foreign bank lendings to Cathay Investment and to leasing companies under its mantle might run as high as U.S.$200m. He sdded that many believed a government takeover of the Trust was the only thing thst could prevent its total collapse.

Cathay Investment is believed to have guaranteed significant amounts of the loans taken out hy Cathay Plastic. In addition, around $375m worth of commercial paper gusrsnteed by the company is maturing and, with deposits withdrawn and additional credit bard to come by, its collapse would have heen a certainty without intervention.

Yesterday, the MoF instructed representatives of local hanks to continue to meet credit commitments to Cathay Investments for as long as it is necessary

Interim net profits at Boral 26% ahead

By Michael Thompson-Noel in Sydney

BORAL, Australia's largest huilding, construction and natural gas group, and its 13th biggest company, seems set to break the A$100m full-year profits msrk, following a 26 per cent boost in net profit for the six months to December to A$54.1m (U.S.$38.4m).

The interim dividend has been raised hy an effective 20 per cent, to 7.5 cents a share, following last years one-for-five scrip issue. Earnings per share rose from 15.5 cents a share, to 19.5 cents a share.

Boral's Australian businesses gained greatly from a sharp increase in house building and road construction, and sates also improved in the U.S. Overall, turnover was ahead 14.8 per cent to A$770m from A$670m.

● Trading losses at Waltons Bond, the retailing and property affiliate of Bond Corporation of Perth, were cut from A$6.9m to A$2.1m (U.S.$1.5m) in the half year to January 31 and the directors expect a significant improvement in retail activities in the curernt half.

Mr Kerry Packer's Consolidated Press Holdings now owns a 10.6 per cent stake in the company.

Midterm loss for Kirsh Trading

BY JIM JONES IN JOHANNESBURG

KIRSH TRADING, the South African retail and wholesale gronp, has reported e net loss of R900,000 for the six months ended December despite a rise in turnover to R1.47bn ($717m) from R1.35bn.

Operating profits dropped to R41.2m from R42.1m and the interest bill rose to R31.5m from R18.1m. For the year to June 1984, turnover was R2.63bn, operating profits R77.3m and interest charges R41.8m.

The net loss compares with an attributahle profit of R1m in the first half of 1983

Mr. Nathan Kirsh, the chief executive, said 17 new stores nad heen added to the Checkers chain, South Africa's largest supermarket chain, and the full cost was absorbed during the half year.

The furniture retailing division has been badly affected by Government austerity measures introduced last year, including a tightening of hire purchase regulations and higher interest rates. The Dions Discount retail chain suffered a R14m foreign exchange loss which exacerbated the problems of tougher trading conditions.

A 5 cents interim dividend has heen declared on a loss per share of 1.1 cents. Last year first-half earnings were 36.1 cents and a special interim dividend of 10 cents was paid. For the full year earnings were 36.4 cents end the dividend total was 20 cents.

Woolworths Australia pays more

By Our Financial Staff

WOOLWORTHS, one of Australia'a leading retailers, has reported net profits of A$60.7m ($UC$43m) for the year to January 30 compared with A$56.94m previously.

Earlier this year G. J. Coles, the country's largest retailer, took a 9.9 per cent stake in Woolworths — which is not related to the UK or U.S. retailers of a similar name—in what was seen as a prolective move against a potential bidder.

Net profits were struck after tax of A$43.21m, depreciation of A$27.22m and interest charges of A$16.22m, but before an extraordinary profit of A$264,000. The final dividend of 10.5 cents makes a total of 16 cents for the year, against 15 cents for 1983.

Turnover rose from A$3.24bn to a record A$3.69bn and the company says that sales are continuing strongly this year.

Safren lifts first-half earnings

BY OUR JOHANNESBURG CORRESPONDENT

SAFREN, the South African shipping, hotels, and trading group increased operating profits by 25 per cent in the six months ended December to R153.4m ($75m) on turnover up by 32 per cent to R925m. For the year to June 1984 turnover was R1.45bn and operating profits were R243.5m.

After a substantially higher inetrest bill of R31.6m and increased depreciation of R38.8m interim pre-tax profits were R90.3m against R83.8m. For all 1983-84 the pre-tax result was R155.7m.

Safren was formed on July 1 1984 from the merger of Safmarine, the shipping line, and Rennies, the hotels and trading group.

The interim dividend is 26 cents from earnings of 76 cents a share an a total of 76 cents is targetted for the full year. Interim earnings were 72 cents a share last year and 151 cents was earned for the full year.

● Commercial Union South Africa, the 45 per cent-owned offshoot of Commercial Union, of the UK suffered an underwriting loss in the second half of 1984 hut increased earnings for the year. At the interim stage there was an underwriting surplus of R3.1m but the year as a whole it was only R507,000.

Investment income for 1984 increased to R11.2m from R8.7m and net profits rose to R9.5m from R9.0m.

Earnings came to 118.6 cents a share against 112.9 cents and the dividend total has been increased to 39 cents from 35 cents.

Net surplus up by 11% at Gulf International Bank

BY MARY FRINGS IN BAHRAIN

THE OLDEST and most conservative of the major Bahrain-based offshore banking units Gulf International Bank, has reported net profits for 1984 up by 11 per cent to $63.9m.

Assets at $7.42bn were almost back to the 1983 year-end level of $7.447bn, after a dip to $6.9bn at end June. Loans were marginally higber at $4.17bn against $4.04hn, while time deposits slipped from $6.47bn to $6.34bn.

The proposed dividend is unchanged at $23.8m.

No mention has been made of specific or general loan loss provisions; GIB has always stressed a "low risk, low reward" approach to lending, an din any case has substantial inner reserves. Shareholders' equity has been boosted from $447m to $580m hy the issue of $92.8m of new nshares and the addition of $40m of retained earnings.

The bank was establisbed in 1975 and is owned hy the six Gulf Co-operation Council states anl Iraq; its chairman is, Mr Abdulla Hasan Saif the Governor of the Bahrain Monetary Agency.

Hawley's annual sales running at over £400m

THE STRATEGY for the expansion of the Hawley Grfonp has been supported by the results achieved in 1984, when profit has more than doubled from £14.23m to £31.49m.

Mr Michael Asbcroft, the chairman, says the group bas established a corporate structure that will pave the way for next decade's expansion. Already the current year's turnover is running in excess of £400m annually.

"We have never been so confident of the future as we are today. Our core businesses are sound, our management is strong, our cash flow is superb," be tells shareholders.

The group's expansion strategy has been centred on those service industries which feature strong, positive cash flow with low capital demands. In 1984 all divisions returned record trading figures.

The U.S. operation of cleaning, maintenance, security services and lawn care made substantial progress in establishing themselves as leaders in their sectors, with cleaning and maintenance performing "particularly well" in the South East and "sun helt" States.

In the UK, the cleaning division echieved national coverage, establishing itself after only four years as the third largest operator in this sector, while the home improvements side has hecome the biggest in that sector in the UK.

Following reorganisation of Hawley Group and Electro-Protective by schemes of arrangement, Hawley Group is the new parent company of the whole group.

Turnover rose by £161m to £296m in 1984 and the operating profit moved ahead from £16.76m to £37.43m. Interest charges more than doubled to £5.95m (£2.53m).

A split of the pre-tax profit shows cleaning and maintenance accounted for £6.69m (£1.96m), home improvemants £9.83m (£4.87m), security £6.62m (£4.58m), travel and leisure £3.28m (£1.78m), and associated companies £7.8m (£2.15m). Central costs, financial services and discontinued activities totalled £2.74m (£1.11m).

Geographically, the profit was earned as to the UK £11.73m (£4.82m), North America £17.77m (£7.83m) and rest of the world £1.99m (£1.59m).

Tax takes £5.96m (£3.63m) and minorities £4.59m (£2.7m), leaving the net attributable profit at £20.94m (£7.89m) for earnings of 11.4p (6.4p) per share. This time there is an extraordinary credit of £410,000 (debit £1.14m). A second interim dividend of 1.07p is declared, to give a net total of 1.86p (1.55p).

Michael Ashcroft . . . ready for the next decade's expansion

Mr Ashcroft says trading for 1985 bas started well, with turnover already running in excess of £400m per annum. Organic growth is encouraging—the U.S. cleaning and hospital division recently secured a new three year $18m hospital maintenance contract, and in the UK the corresponding division bas been awarded the cleaning of its tenth hospital.

The bome improvements division has ebsorbed Kitchens Direct and Moben Kitchens will benefit from "a year of consolidating its leeding position in this growth sector."

The U.S. security division can confidently expect to see the benefits of the modernisation and rationalisation expenditure of the last two years.

In cleaning and maintenance services the key element of its growth bas been its appreciation of the differing needs of large, small and specialist contracts, while increasing the overall range of services offered.

The American side operates from 75 branches in 25 States, with turnover having advanced 300 per cen ton the year and staff employed rising to 15,000. There will be further expansion opportunities in the current year; and there will be the mid-West and West Coast areas for consideration in the next few years. I nthe UK turnover was increased by 105 per cent and staff employad rose to 19,000.

Home improvement interests based in the UK incorporate the design to installation of e range of fitted kitchen and bedroom furniture, the replecement window and door market, and the instant hot water shower market. All continued to exceed the average rate of growth in their expanding sector, says Mr Ashcroft.

The U.S. security services division recorded sales of $72m, whila the lawn care company is profitahle and expanding service now the third largest in "this some 25 per cent higher.

See Lex

Carless in £37m U.S. oil deal

BY DOMINIC LAWSON

Carless, Capel and Leonard, oil exploration company, is paying $39.6m (£37m) for U.S. oil and gas assets owned by LTV, the third largest U.S. steel producer.

The properties are in Alabama, Ohio, Pennsylvania and West Virginie. They include rights to gas and oil under ebout 280,000 acres, of which 221,000 are undeveloped.

Independent estimates suggest that Carless is buying proved developed reserves of 37bn cubic feet of gas and 816,000 barrels of oil. These reserves are producing at e rate of 10m cu ft of gas and 200 barrels of oil per day.

Dr Eric Bosshard, a director of Carless, said yesterday that the deal would ba paid for in cash borrowed on existing lines of credit. He said revenue from the assets would be more than enough to fund the financing costs of the ecquisition.

The assets would immediately give Carless revenues of $10m a year, to supplement the $6m e year it earns from its existing U.S. portfolio, be said.

The cost of the acquisition is 95 per cent backed by the value of the proven production assets. Dr Bosshard conceded that there were no prospects for big oil fields on the unexploited acreage, but said exploration would be very low-cost.

One advantage of the deal is that the mineral leases being acquired are very long-term and, in the case of the Alabama acreage, perpetual. Dr Bosshard said this geve Carless the opportunity to develop the area at its own speed.

LTV acquired the assets last year wben it took over Republic, e U.S. Steel company. It bad no interests in Republic's oil and gas assets and LTV already knew Carless as e drilling partner in another U.S. energy venture.

Carless will sell the gas from the properties to LTV under e 15-year sales contract. LTV already buys Carless's Ohio gas production. This contract will enable Carless to step up gas production from the former LTV interest to 17m cu ft per day in 1987.

Blagden suspends share deals as talks progress

BY MARTIN DICKSON

SHARE DEALINGS in Blagden Industries, a manufacturer of steel drums, plastics products and chemicals, were suspended yesterday at the company's request pending an announcement about e reorganisstion and possible acquisition.

The company said it was at an edvanced stage in negotiations which might lead to a major ecquisition. It had requested the suspension view of the "substantial nature" of the deal and to avoid the creation of a false market in its shares. These were suspended just after lunch yesterday et 130p, up 2p.

A package is expected to be announced tomorrow when Blagden unveils its 1984 results.

Blagden has long made plain its keenness to go on the acquisitions trail, but until last year it was bampered by its relationship with City Investing International, a large U.S. group which held e 42 per cent stake in Rheem Blagden, the principal operating subsidiary of Blagden.

The two companies reached an agreement last year under which CII gave np its stake in Rheem Blagden in exchange for a 29 per cent stake in the parent company, making it easler for Blagden to finance takeovers by equity rather than casb.

Williams Hldgs' £24m bid rejected by Jackson

By Paul Ham

Williams Holdings, the specialist pastics engineer and motor vehicle dealer, yesterday launched a contested £24m bid for J. & H. B. Jackson, the plastics and forging group.

Williams is offering five of its own ordinary shares at 230p and eight cumulative convertible preference shares, of 5 per cent redeemable in 2005, for every 20 ordinary shares in Jackson.

The offer valued Jackson ordinary shares at 104.75p, based en William's ordinary share price of 243p and preference, share price at 110p, and would benefit both companies since their activities were "complementary rather iban competitive," according to the Williams directors. Jackson's closed at 109p, up 25p, while Williams at 243p were up 13p.

Jackson flatly rejected the offer. Directors described it as "unsolicited and unwelcome, and it failed to recognise Jackson's great financial strength and future."

They said it offered inadequate value, was in an unacceptable form, and would be strongly opposed.

Future

Williams and Jackson show diverging trends in their results for 1984, Williams looking promising with a return to profits while Jackson suffered a slackening of profits.

However, the chairman of Jackson, Mr J. P. White, said yesterday the immediete future looked brighter and the current first quarter figures supported a guarded degree of optimism.

In the year to September 30, 1984, Jacksons showed pre-tax profits down from £3.58m to £2.67m, and turnover up holders will receive a dividend of 1p, up from 0.95p.

Williams forecast a dividend of 2p in 1985, the first since 1980. The company made a pre-tax profit of £1.92m in 1984 compared with losses of £76,000.

Managing director of Williams, Mr Brian McGowan, said yesterday that Jackson provided a "natural fit" that would create a combined group with net assets of more than £30m and net borrowings of under £5m.

While both Williams and Jackson have diversified into plastics and vehicle distribution to complement their base foundry and engineering operations, the main motivation behind the bid was the desire by Williams to expand into the U.S. plastics market.

Williams intends to sell plastic chain in the U.S. under its Ewart brand name, made from plastic components supplied by its Rotalac plastics subsidiary and tooled by Tillotson, a plastic tooling company that Williams acquired two weeks ago.

Potential

Mr McGowan said: "The potential of the U.S. market is colossal. Jackson has the distribution strength we need in the U.S. and with the current exchange rate we cannot afford not to be in that market."

Williams also hopes to revitalise Jackson's ailing forging division, which experienced the worst results for a decade in 1984, and develop Jackson's Ford dealership interests. Largely because of over-capacity in the European car industry and consequent price-cutting, these had an extremely difficult time in the year to September 30 1984, and no improvement is expected in the foreseeable future Mr. White said yesterday.

Williams operates BMW, Mercedes, and Jaguar dealerships in the UK.

The bid for Jackson confirmed widespread rumours in the City ebout Williams' intentions, spurred by its return to profit in 1984. It marks three years of aggressive acquisition by Williams, including the takeover of Ley's Foundries and Engineers in November 1982 and Garford-Lilley Industries, the aeronautical engineer, in December 1983.

Managing director of Jackson, Mr John Kinning, said: "Williams might have done a lot, but beve not yet known any degree of profitability. They're putting strong value on their current management who have only been in place for two years."

Brint/Burnett

Brint Investments, listed on the USM, said yesterday that its net asset value at close of business on February 28 was 173p per share, compared with 183p at the end of 1984. The company holds 550,000 shares in Burnett & Hallamshire, the coal, oil and property group of which the share price fell sharply to 65p on February 28 after disclosure of talks with bankers on reducing debt.

Royal Insurance falls £87m as losses in the U.S. accelerate

Royal Insurance yesterday opened the composite insurance reporting season by announcing a pre-tax profit of just £11.2m for 1984 compared with £98.4m in 1983.

A tax charge of £17.6m—around 150 per cent — meant that the company recorded e net loss of £6m for the year, compared with a profit of £80.2m in 1983.

However, Royal is lifting its final dividend payment from an equivalent 14.4p after adjustment for the one-for-four scrip issue, making e total for 1984 of 23.75p, an increase of 4.2 per cent over the previous year's 22.8p equivalant.

Underwriting iosses last year soared from £209.6m to £347.4m, with losses in the U.S. rising from £139.9m to £220.2m, in Canada from £20.6m to £53.6m and in the UK from £34.1m to /42m.

Allocated investment Income of £237.4m resulted in a general insurance loss overall of £110m, which investment income on capital and reserves trimmed to £36m. Thus the total growth in investment income of 16.2 per cent, an underlying growth rate of nearly 8 per cent, was not sufficient to cover the rise in underwriting losses.

ft needed an 18 per cent increase in long-term profits from £17.5m to £20.7m and an increase in associated company profits from £11.2m to £13.3m to produce a pre-tax profit.

General insurance premiums written rose by 18.8 per cent from £1.91bn to £2.27bn with an underlying growth rate of 10¼ per cent. The strong rise in worldwide stock markets saw capital and reserves up from £1.65bn to £1.83bn (inclnding £245m for long-term business) and a solvency margin of 64 per cent.

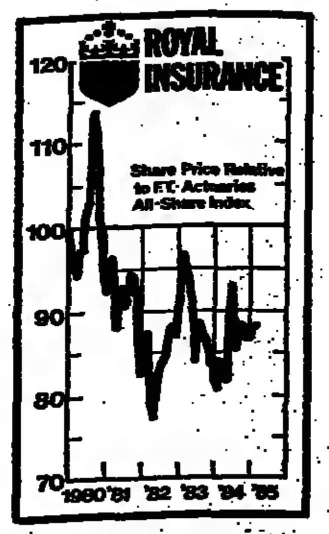
The main problem for Royal remains the U.S., which accounts for 42 per cent of its worldwide general insurance business. Underwriting losses on its commercial business — two-thirds of its total — climbed from U.S.$ 175m to $253m. Commercial multi-peril business saw losses of $94.5m, workers' compensation $63m and commercial aulomobile $36m.

In addition to the gross underpricing of commercial lines business Royal was hit by a 9 per cent rise in numbers of claims as the U.S. economic recovery got under way — an increase thet the company did not anticipete. This added some £40m to the claims bill.

However, the moves towards a realistic pricing structure gathered momentum during 1984, with e rise in multi-peril premiums of 32 per cent in the final quarter (40 per cent in December). These increases have been obtained without significant loss of worthwhile business.

Premium income in the U.S. rose by 3.3 per cent in dollar terms to $1.26bn compared with an 8 per cent rise for the industry. The operating ratio in 1984 was 120 per cent against 114 per cent in 1983. This deterioration came from the claims ratio which worsened from 80.7 per cent to 87.1 per cent. The expense ratio improved from 33.3 per cent to 32.9 per cent.

However, Mr Alan Horsford, Royal's chief executive, warned that the company required a further round of substantial increases to put the business on a satisfactory basis and that the full benefits of the present pricing actions would not be obtained until towards the end of 1985 and into 1986.



The other major factor hitting Royal's worldwide results was the deterioration in Canada mainly as a result of changes in legal and judicial decisions. Recent decisions have gone against insurance companies, and Royal has added some £26m to provisions for prior years' claims.

This factor combined with inadequate premium rates saw underwriting losses in Canada fall substantially and a pre-tax profit in 1983 of £15.2m turn into e £16.4m loss in 1984. Premium income rose 7.7 per cent in local currency, largely accounted for by rate increases in commercial lines.

Business in the UK was hit by the severe weather losses at the beginning of 1984 of some £32m out of total weather losses of £95m. In addition, UK business was hit by a 31 per cent increase in numbers of subsidence claims, increased fire wastage and e sharp increase in the number of motor claims, particularly in the final quarter. These were 5¼ per cent bigher overall and some 10 per cent higher in the final quarter.

The net result was Royal lost well over £10m on its household account and some £2m on its motor account. Losses on commercial business were around the same level as for 1983. Premium income rose 13 per cent to £604.1m.

Royal has increased the premium rates on its house buildings insurance as from February 1 and on its motor business as from March 1. An increase in contents rates is coming later this year. The company warns that the cost of the severe weather so far this winter is not far short of last year's payout.

Elsewhere, business in Australia saw pre-tax profits lifted from £10m to £16.9m, after underwriting losses deteriorated very slightly from £3.2m to £3.7m, despite the impact of storm losses and bush fires towards the end of the year.

However, in Holland profitability was reduced from £5.5m to £3.9m

Operations in the rest of the world produced an increased profit overall of £11.9m against £7.1m, with recovery in Europe being most significant.

Royal's reinsurance operations saw pre-tax losses more than double from £3.1m to £8.4m.

See Lex

Debenhams to become a force in optical retailing

BY MARTIN DICKSON

Debenhams, the stores group, has taken a 50 per cent stake in Hans Anders, a chain of high street opticians, which it plans to build up into a substantial force in optical retailing.

Debenhams move is the latest in a series by companies expanding in the optical field as retailera cash in on the ending of the opticians' monopoly on spectacle sales last December.

Debenhams' stake in Hans Anders, which currently operates seven shops in the UK, all around London, is costing it just £300,000. But e major expansion is planned over the next three years, initially around Greater London and thereafter in both the North and South.

Debenhams said yesterday that it expected to see some 50 outlets opened by the end of the second year. Its partner in the venture is Hans Anders (Holland), which in a few years bas built up a chain of 50 shops in the Netherlands, 25 of them franchises.

The shops will have no connection with Debenhams department stores. Bnt an American opticians' chain, Pearle Vision, has been operating in Debenhams stores for the past four years and experience with this bas encouraged the group to turn its atention to the High Street. "Deregulation has made it a much more interesting market, and we believe it has a substantial future," a spokesman said yesterday.

Competition among optical outlets is likely to increase from April with the ending of National Health provision of spectacles, except for the under-16s and those on low incomes. This is likely to exert further downward pressure on prices.

Other recent ventures include the flotation of two companies — Special Eyes and For Eyes — on the over-the-counter market, each aiming to raise capital for chains of opticians' shops, while Ratners, the jewellers, has linked up with Prestwich Holdings in a deal designed to create a major nationwide chain of opticians.

Hanson loan holders convert 92%

Holders of 92 per cent of Hanson Trust'e 9½ per cent convertible ioan stock 2001-06 have exercised their right to convert into Hanson ordinary shares at the first opportunity.

Hanson said yesterday that holders of £75.02m of the £81.5m of loan stock in issue bad opted to convert. As over 75 per cent of the stock had been converted, Hanson intended to exercise its right to require conversion of the balance.

Total conversion will involve the issue of 196.6m Hanson ordinary shares, which will increase the total in issue to 1.19bn shares, a rise of just under 20 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
British Vita	3.2	—	*2.73	6.2	*5.36
Derek Bryant	5‡	May 1	4	7.35	6
Hewley Group ...2nd int.	1.07	July	0.83	1.86	1.55
Medminster	1.95	April 9	1.75	—	4.85
Ransomes Sims	14	May 14	10	20	15
Royal Insurance	15	May 17	*14.4	23.75	*22.8
Woodhouse & Rixson	0.75	—	0.25	1	0.75

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and%or acquisition issues. ‡ USM stock. § Unquoted stock.

UK COMPANY NEWS

British Vita plans to build up foam interests in Europe

BY STEFAN WAGSTYL

British Vita, the foam, fabrics and fibres company, is planning to buy the foam interests of the Belgian chemicals group, Solvay, for about £9m.

British Vita, which also yesterday announced increased sales and profits for 1984, said it was in talks with Solvay which could lead to a formal offer being made.

The discussions concern foam manufacturing plants in the Netherlands and West Germany and a licensing company in Switzerland, which together have annual sales of about £85m.

The proposed acquisition, which British Vita expects might be completed by the summer, follows its £2.5m purchase last year of a French group, Tramico.

The company, which has interests in Africa, Australia and Canada, as well as in the UK, said that the latest planned acquisition would fit into its policy of extending its interests in Continental Europe.

For Solvay, this is the second attempt in recent years to sell its foam interests. Between 1982 and 1984 it was in discussions with Shell and the Belgian foam company PRB, but the planned sale was thwarted by an anti-monopoly ruling from the European Commission.

British Vita refused to comment on the profit record of the planned acquisition but said the purchase price was about equal to the net asset value.

The group's pre-tax profits for 1984 increased 12 per cent to £11.85m (£10.6m) on turnover 26 per cent higher at £138m (£110m).

The UK accounted for £4.4m (£4.1m) of pre-tax profit, the Continent for £1.5m (£0.9m), and the rest of the world for £5.9m (£5.5m).

After tax of £4.4m (£3.9m), minority interests of £134,000 (£123,000) and extraordinary items of £939,000 (£418,000), attributable profits were £6.4m (£6.2m), making earnings per share of 24.3p (22p).

The final net dividend is 3.2p (2.72p adjusted), making 6.2p (5.36p adjusted).

The extraordinary charges are largely due to the costs of reorganising two UK divisions—textiles and consumer products.

The company says that demand in the UK is forecast to continue at present levels, but could fluctuate with changes in interest and mortgage rates. In Europe, all companies are confident for the year ahead, and overseas continued growth is expected in many areas.

● comment

The planned acquisition fits neatly into British Vita's expansion plans, doubling its sales on the Continent in one fell swoop and giving it a strong presence in West Germany for the first time. While the company is saying nothing about the profits of its intended purchase, the group's experience with Tramico should reassure shareholders that British Vita will not pay over the odds and will be able to manage the acquisition successfully. Given the group's uninspiring profits record it is no surprise that the shares, up 2p to 184p, trade on a modest multiple of about seven—assuming full-year profits of £13m pre-tax and a 38 per cent tax charge. In time, this should improve as the low-quality African earnings decline in importance and the UK and Continental businesses are expanded. But this is unlikely to happen quickly and in the meantime investors would do well to hunt around for similarly-rated stocks—which nevertheless manage to pay higher dividends.

Strong dollar worries Polytechnic Marine

IN THE current year Polytechnic Marine is expecting a further acceptable level of profit growth, but says the impact of increasing costs of dollar-based components is having some detrimental short term effects.

The group, a manufacturer of navigation equipment, traded on the USM, showed reduced turnover of £1.6m (£1.92m) and lower profit before tax of £350,000, against £425,000, for the 26 weeks ended November 30 1984. Tax was down to £139,000 (£221,000) to leave earnings unchanged at 2.3p per share.

The directors report that the group has a strong internationally based order book which is over £5m, for delivery this year. Their forecast of profit growth provides that cost controls are held very tight and that targeted production levels are met. In 1983-84, the profit moved up to £915,000 (£702,000).

Sales of GPS receivers continue to rise steadily and the company is confident that these will provide an increasing contribution to the long term performance.

On February 15, shareholders approved the change of name to Polytechnic Electronics to reflect expansion plans.

High	Low	Company	Price	Change	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
144	123	Ass. Brit. Ind. Ord.	142	—	6.8	4.4	7.9	8.4
151	136	Ass. Brit. Ind. CULS	150	—	10.0	8.8	—	—
77	51	Airsprung Group	56	—	8.4	11.4	6.2	7.4
42	26	Armitage & Rhodes	35	—	2.9	8.3	4.4	7.3
143	108	Bardon Hill	143	—	3.4	2.4	14.4	24.0
56	42	Bray Technologies	47	—	6.5	7.4	5.5	7.8
201	170	CCL Ordinary	170	—	12.0	7.1	—	—
152	110	CCL 11pc Conv. Pref.	110	—	15.7	13.8	—	—
875	100	Carborundum Ord.	875	+5	5.7	0.7	—	—
86	84	Carborundum 7.5pc Pf.	86	—	10.7	12.4	—	—
103	43	Cindico Group	43S	—	—	—	—	—
73	51	Deborah Services	56xd	—	8.5	11.8	8.2	8.5
302	182	Frank Horsell	302	—	—	—	12.1	16.9
261	170	Frank Horsell Pr.Ord.87	261	—	8.6	3.7	10.5	13.7
32	25	Frederick Parker	28	—	—	—	—	—
56	33	George Blair	86	—	—	—	3.8	7.5
50	27	Ind. Precision Castings	27	−1	2.7	10.0	7.4	8.0
218	186	Isis Group	186	—	15.0	8.0	7.4	13.4
124	104	Jackson Group	104	—	4.8	4.7	4.8	9.4
285	213	James Burrough	265	−3	13.7	5.2	8.4	8.4
93	83	James Burrough 9pcPf.	86xd	—	12.9	15.0	—	—
87	71	John Howard and Co.	85	—	5.0	5.8	8.7	12.3
170	100	Linguaphone Ord.	170	—	—	—	—	—
100	93	Linguaphone 10.5pc Pf.	95	—	15.0	18.8	—	—
614	300	Minihouse Holding NV	512	—	6.8	0.8	44.0	48.2
120	31	Robert Jenkins	41	+1	5.0	12.2	—	—
50	26	Scruttons "A"	32	—	5.7	17.8	16.8	3.8
92	61	Torday & Carlisle	78	—	—	—	8.4	17.7
444	370	Trevian Holdings	370	—	4.6	1.2	21.0	20.7
27	17	Unilock Holdings	26	—	1.3	6.0	12.6	18.2
98	81	Walter Alexander	94xd	—	7.5	7.9	8.3	11.3
247	224	W. S. Yeates	224	—	17.4	7.7	6.4	10.7

S=Suspended.
Prices and details of services now available on Prestel, page 48146

To the Holders of

FANUC LTD

3¾% Convertible Bonds 1998

NOTICE OF FREE DISTRIBUTION OF SHARES AND ADJUSTMENT OF CONVERSION PRICE

Pursuant to Clause 7 of the Trust Deed dated December 6, 1983 under which the above described Bonds were issued, you are hereby notified that a free distribution of Shares of our Company at the rate of 37 shares for each 100 shares held will be made to shareholders of record as of March 31, 1985.

As a result of such distribution, the Conversion Price at which Shares are issuable upon conversion of said Bonds will be adjusted pursuant to Condition 5(C) of the Bonds from 7,032.3 Japanese Yen to 5,133.1 Japanese Yen effective in Tokyo on April 1, 1985.

FANUC LTD

Dated: March 5, 1985

Australian expansion for Hogg Robinson

THE Australian subsidiary of Hogg Robinson Group has completed a series of acquisitions strengthening its insurance broking business.

The principal transaction is the purchase for A$2.0m of the insurance and reinsurance broking and underwriting agency business of the Armstrong Nisbet Group.

Also acquired is the pension fund management and life insurance agency business of the Burrett Harris Group for A$0.8m.

Hogg has also bought out for A$1.2m the minority shareholder in Australia. All purchases were for cash and have been financed by medium-term borrowings in Australia. The aggregate historic pre-tax profits attributable to the assets purchased are approximately A$1.1m. The sterling equivalent of the purchases is approximately £2.5m.

Mr Robin Nisbet, principal of the Armstrong Nisbet Group, becomes chief executive of Hogg Robinson Australia, under a three-year service contract. Mr Nisbet's family company has subscribed for A$1m of new shares in the Australian subsidiary, representing 25 per cent of the enlarged equity, the balance being held by Hogg Robinson.

Burmah's French acquisition

Burmah Speciality Chemicals has purchased Nazdar Europe Sarl, a French speciality printing ink company.

Nazdar manufactures inks, varnishes and allied products for the French screen printing industry and has a well established position in this specialist sector of the French market.

Sales are at the rate of FFr 20m per annum and the company has a modern production plant at Melun, outside Paris.

The acquisition will significantly strengthen Burmah Speciality Chemicals' existing position in the European screen printing supply industry.

In 1983 it established a printing inks division with the acquisition of Sericol Group. Sericol is a market leader in the UK and has built up a strong position in France, Germany and Switzerland.

Well over 50 per cent of Sericol's UK production is exported throughout the world.

Privatbanken plans for UK expansion

Privatbanken, the third biggest Danish bank, plans to inject DKr 100m (£7.7m) of new capital into its London subsidiary to help fund the offshoot's expansion plans in the UK banking market.

The capital, in the form of a subordinated loan, has been agreed by the parent company and requires approval from the Bank of England.

Mr Christian Frigast, chief executive of Privatbanken Ltd, the London unit, said the bank hoped to expand its business with UK corporate clients who lacked business links with Denmark and other Scandinavian countries. Privatbanken was looking to exploit niches such as the financing of management buyouts.

The London unit's total capital resources, including £11.5m of present subordinated loan stock, was £29.5m at the end of 1984. Pre-tax profits rose from £1.3m in 1983 to £1.5m, while assets rose from £364.3m to £557m, mainly reflecting the weakness of sterling against the U.S. dollar and Danish kroner, in which the majority of the banks assets are held.

CVD on target

CVD Incorporated, U.S. manufacturer of optical materials for military and commercial purposes, whose shares are traded on the USM, announce increased profits of $692,000 (£647,000) against $441,000 in its first interim statement to December 2 1984.

There will be no interim dividend, as stated in the prospectus, but directors expect to recommend a dividend of 2 cents for the full year, payable in October.

Turnover was up at $2.01m ($1.76m) while earnings per share rose to 3.6 cents (2.5 cents).

The board says that orders in hand indicate that second-half turnover will be higher and that it is on target for the $1.55m profit forecast in the prospectus.

The company, which is expanding in the U.S., is considering production in the UK, either alone or with a company in the defence field.

Mercantile and Gen.

The 1984 results of the Mercantile and General Reinsurance Company of America, a wholly-owned U.S. reinsurance company within Prudential Corporation, show that underwriting losses on the general business deteriorated from US$6.2m (£5.7m) to US$10.4m (£9.6m) on net premiums written up from $27.8m to $31.8m.

Investment income, excluding realised gains or losses, barely moved ahead from $6.1m to $6.2m, leaving the company with about a $4m pre-tax loss in 1984.

F.T. Share Information

The following securities have been added to the Share Information Service.

Devenish (J. A.) (Section: Beers, Wines and Spirits)
Whitworth's Food Group (Food, Groceries).

Christian Salvesen en route for a £200m plus quote

BY STEFAN WAGSTYL

Christian Salvesen, one of the UK's largest private companies, is likely to be floated on the Stock Exchange later this year with a market capitalisation of at least £200m.

The Edinburgh-based group, which has interests in food processing and distribution, marine and oil services, and housebuilding, is expected to announce its listing plans following a board meeting on Thursday.

The company would become the largest new issue to come to the market from the private sector since the flotation of the Reuters electronic information and news group last June.

Descendants of the founder, Christian Salvesen, who came to Scotland from Norway in the 1840s, still own almost all the company's equity. The rest is in the hands of employee and institutional shareholders.

The first hint that the group might be floated came last year with a letter from Mr Gerald Elliot, the chairman, asking shareholders for their views on a quotation.

The company's financial advisers, merchant bank Kleinwort Benson, and its stockbrokers, Hoare Govett, have been involved in preparing the ground for a possible flotation.

Yesterday, Mr Elliott declined to comment on the company's plans.

Last year Christian Salvesen increased pre-tax profits by 25 per cent to £26.2m on sales of £210.8m, with the largest contribution coming from the food services division.

The company is the biggest cold store operator in the UK, with customers who include Sainsbury and Marks & Spencer.

Salvesen also operates food distribution businesses on the Continent and, following an acquisition in 1981, in the U.S.

Its property division includes a house-building company which completed 2,335 homes last year and a brickmaking business. It has interests in North Sea oil services, in the hire and sale of diesel powered electric generators in the UK and on the Continent, and in shipping.

At the end of 1984, the company had borrowings of £12.2m, against shareholders' funds and minority interests of £108.6m. It has more than 5,000 employees, mainly in the UK.

Commenting on the prospects for 1985, Mr Elliot said in his annual report: "I am confident that we shall at least match last year's trading profits. I still see many opportunities for profitable growth."

Medminster profit up 35%

A RISE in pre-tax profits of 34.6 per cent — from £179,000 to £241,000 — was reported by Medminster for the half year to December 31, 1984.

The company, a furniture hirer, shipper and forwarder, lifted turnover from £6.11m to £6.41m. The interim dividend is being increased from 1.75p to 1.95p. Last year's total was 4.85p net.

As regard current prospects, another favourable year is anticipated, says Mr John Delaney, the chairman.

During the half year under review, the increased turnover of the furniture hire companies was most encouraging, says the chairman. The figures do not include any turnover or profits from the new venture at White City for Camden Furniture Hire, but do include the costs involved in moving to the new location. The venture became fully operational from the first week in January

UK COMPANY NEWS

A fresh strategy for steel stockholding

Ian Rodger looks at Associated Steel, soon to join the USM

STEEL STOCKHOLDING — the very phrase is enough to send e chill through investors' bearts, conjuring up, as it does, thoughts of excess capacity, declining markets, controlled prices, endless racks of rusting metal . . . and dreary share performances.

Among the quoted companies with strong stockholding interests, Browne & Tawse shares are 20 per cent below thair 1979 peak and those of Hall Engineering and John Williams of Cardiff are 40 and 66 per eent respectively off previous peaks.

But, as in many mature industries, there may be an opportunity for an aggressive company with a fresh epproach to get good margins and growth by outperforming established competitors.

That is tha strategy of Coutinho, Caro, the UK associate of the large West German international trading group which has been building up a stockholding business, Associated Steel Distributors, in the UK and is about to float it on the Unlisted Securities Market.

ASD has been developed from a single stockholding outlet in East London in 1979 to a group of 10 depots around the country with a turnover of over £50m and pre-tax profits of about £2m last year, putting it well into the top 10 of British stockholders.

The business of steel stockholders is to act as an intermediary between producers and end users. Producers like to schedule long runs of a particular size of beam or joist and sell them in bulk. But that means that if a user wants a size that is not being rolled at the moment, be may have to wait for several weeks until it comes up in the producer's schedule. The stockholder solves the problem by buying in bulk from the producers and stocking a wide variety of shapes and sizes so that most users' demands can be met quickly.

In the good old days, stockholders prospered not just on the mark-up they put on their steel, but largely on stock profits arising from fairly regular producer price increases. However, in the past few years, price increases have become irregular and there have even been some sharp declines, causing the industry to stagnate and some stockholders to suffer big losses.

The key to Countiho Caro's enthusiasm is a recognition that price movements can no longer be counted on to underpin profits, and a conviction that high profitability can be achieved by running the business better.

ASD has eagerly embraced a relatively new concept of splitting the business into wholesale and retail outlets so as to minimise stocks while keeping delivery times low. Reasonable stocks of fast moving items are kept in each of the group's nine retail outlets but large stocks and slow moving items are kept only at the large wholesale depot near Leeds.

The result is to give each of the retail outlets much more strength than it would appear to have. For example, a small ootlat et Pinxton in Nottinghamshire, acquired in 1982, has trebled its annual throughput to 12m tonnes, mainly in odd items and large orders that it did not have the money or the space to stock previously. Many of these can be shipped directly from Leeds to the customer, enabling Pinxton to match its local competitors on delivery times while not suffering the cost burden of carrying the stocks.

The steel stockholding industry in Britain continues to be clottered with a lot of small family businesses, many of which are not doing well and are looking for a way out. ASD's strategy is to continne to acquire small stockholders, mainly to improve its market share and national coverage. It still has no presence in Wales or the Northwest, and has only one outlet in Scotland.

Also, the larger the group becomes, the wider the range of products it can profitably stock.

And it still has a long way to go before matching the three leaders in the sector, GKN Steelstock, with turnover of £171.8m in 1983, British Steel Services Centres, a subsidiary of the British Steel Corporation (£161m turnover in 1983-84) and C. Walker, a private company (£159.9m turnover in the year to May, 1983).

The company plans to eome to the USM near the end of this month by way of a placing by Hambros Bank. About 10 per cent of its equity in new shares will be issued at a price that values it at approximately £15m. Brokers are De Zoete and Bevan. Mr Ralph Oppenheimer, ASD chairman, is confident that the company will continue its strong growth record, but be is also aware of the stock market mood "We will be coming on a fairly fairly undemanding p/e," be says.

Maersk completes shipping purchase from Unilever

Maersk Company, the UK subsidiary of Denmark's A. P. Moller group, has completed its acquisition of Norfolk Line from Unilever for over £20m. It plans to expand the company and order new ships.

Maersk said back in November that it was negotiating to buy the North Sea ferry operator, which has three roll-on/roll-off vessels and 1,400 trailers.

Norfolk's turnover is well over £50m a year. It is one of the largest door-to-door transportation groups in Europe and operates sailing between Scheveningen in Holland and Great Yarmouth in the UK and between Zeebrugge in Belgium and Chatham in the UK.

Contracts for the sale were signed yesterday. No firm figures were given. As well as its own fleet, Norfolk has two ships on charter which Maersk intends to keep for the time being.

Maersk itself has 18 vessels in its British fleet, comprising tankers, product carriers, and North Sea suppot vessels. The company acquied Norfolk Line in recognition of the importance of the European market for Britain.

"It's a profitable and pretty successful business," said Mr Karsten Borch, managing director of Maersk. The present Norfolk management would remain and be asked to study how to expand the company. "I hope we can order new vessels within this year," said Mr Borch.

Pepe offer for sale closes heavily oversubscribed

THE OFFER for sale of ordinary shares in Pepe Group, e supplier of jeans and casual clothes to the retail trade, closed yesterday with a heavy level of oversubscription.

Within one hour of the 10.01 am closing time, the receiving bankers bad accepted applications for 40m shares for the 6.6m shares on offer et 100p each, but they were still counting.

Although the final figures bad not baen finalised by yesterday evening Industrial Finance and Investment Corporation, the USM-quoted sponsoring issuing house, believed the issue to have been oversubscribed 15 times. Full details were expected to be available for a meeting called for this morning in order to establish the level of allocation.

Along with brokers Capel-Cure Myers, Industrial Finance and Investment offered 23.4 per cent of the equity in Pepe to the public by an offer for sale at a price valuing the company on a prospective p/e of 13.8 and yield of 4.28 per cent.

MINING NEWS

Rio Algom earnings up 44.6% after final quarter advance

BY KENNETH MARSTON, MINING EDITOR

CANADA'S Rie Algom, the last of the Rio Tinto-Zinc group's major subsidiaries to report results for 1984, has done better than most of the others.

An improvement in final quarter earnings to C$21.63m (£14.52m) lifted total earnings for 1984 to C$73.9m — C$1.65 per share — against C$51.1m. Consolidated revenue reached a record C$1.14bn (C$779.7m).

The result reflects improved operating performances by the uranium, steel-producing and metal distributing divisions, offsetting losses at the copper-molybdenum operations in British Columbia of the 68.1 per cent-owned Lornex subsidiary.

Rio Algom's uranium earnings were boosted by a full year's production at the Stanleigh mine at Elliot Lake, Ontario, which started producing in July, 1983. A more favourable sales mix, the strength of the U.S. dollar and cost reductions also contributed.

The Atlas Steels division returned to profit after two years of losses while Atlas Alloys benefited from a recovery in its Canadian activities and the acquisition last April of Vincent Metals, distributor of matals, in the U.S.

Mr George R. Albino, chairman of Rio Algom, said the construction of the group's primary tin mine at East Kemptville, Nova Scotia, continued to run ahead of schedule and below budget. It is scheduled to start production in the latter half of this year.

The mine will be the only major tin producer in North America and annual production of concentrates is expected to contain 4,500 tonnes of tin, 1,500 tonnes of copper and 2,400 tonnes of zinc.

Canada, like the UK, is a consumer member of the International Tin Agreement, so the new mine will not be subject to the tin export restrictions imposed by the International Tin Council. The results of the parent, RTZ, are expected later this month.

MINING NEWS IN BRIEF

Brazil's new U.S.$1.4bn (£1.3bn) railroad in the Amazon jungle will guarantee the country's dominance of the world iron ore trade, says the Government. The 550-mile line links the iron ore deposits in the Carajas Mountains with the Atlantic coastal city of Sao Luis. From a new port there iron ore will be exported mainly to Japan and Europe at a rate rising to about 35m tonnes a year by 1987 or 1988.

* * *

Australia's Bell Resources said it bad exercised an option to acquire UB Minerals for a total U.S.$125m from General Electric Holdings. UB bolds a 5 per cent stake in tha Central Queensland Coal Estates and Gregory joint ventures in Queensland which were formed after Broken Hill Proprietary's acquisition of Utah International from General Electric. The latest deal doubles Bell's stake in the ventures to 10 per cent and reduces that of General Electric to 10.5 per cent.

* * *

Following a "fairness" report by Canadian Investment dealers Lowen Ondaatje McCutcheon, Granges Exploration is pitching the terms of its bid for Pecos Resources to one share of Granges for 2.1 shares of Pecos.

* * *

Australia's Peko-Wallsend has reported earnings for the six months to December 31 of A$12m (£7.9m), or 15.4 cents per share, compared with A$11.78m a year ago. The intarim dividend bas beeo raised to 5 cents from 4 cents. Losses on coal and foreign exchange offset earnings at othar divisions, notably Robe River iron ore and the 31 per cent-owned uranium producing Energy Resources of Australia.

* * *

Canada's Lac Minerals says that et February 25 it had sold 355,670 oz gold for delivery from future production at set dates and prices averaging U.S.$352 per ounce. Lac is also keeping the cash on band and forward gold salas contracts in U.S. currency, and will continue to do so for the time being.

* * *

South Africa's gold production in January amounted to 1,840,828 oz compared with the December output of 1,832,857 oz, according to the Chamber of Mines. Production in January of last year amounted to 1,756,876 oz.

Oakbridge hit by depressed export sales

The Australian Oakbridge Group continues to suffer from depressed export markets for coal as well as low productivity at its Fernbrook and Baal Bone collieries in New South Wales.

It reports a net operating loss of A$1.53m (£1.01m) for tha six months to December 31 1984, against a net profit of A$217,000 for the comparable period. No interim dividend is being declared.

Coal sales improved slightly during the latest half year to 1.34m tonnes from 1.31m tonnes but, against the background of oversupply in the market, prices eased and the net revanue received by Oakbridge for export sales fell by A$4 to A$40.56 per tonne.

Some improvemant in pricae is expected for this year and Oakbridga looks for "a steadily improving trend" in results for the rest of the current year to June 30.

BASE LENDING RATES

A.B.N. Bank	14 %	C. Hoare & Co.	†14 %
Allied Irish Bank	14 %	Hong Kong & Shanghai	14 %
Henry Ansbacher	14 %	Johnson Matthey Bkrs.	14 %
Amro Bank	14 %	Knowsley & Co. Ltd.	14½%
Armco Trust Ltd.	14½%	Lloyds Bank	14 %
Associates Cap. Corp.	14 %	Edward Manson & Co.	15 %
Banco de Bilbao	14 %	Meghraj & Sons Ltd.	14 %
Bank Hapoalim	14 %	Midland Bank	14 %
BCCI	14 %	■ Morgan Grenfell	14 %
Bank of Ireland	14 %	Mount Credit Corp. Ltd.	14 %
Bank of Cyprus	14 %	National Bk. of Kuwait	14 %
Bank of India	14 %	National Girobank	14 %
Bank of Scotland	14 %	National Westminster	14 %
Banque Belge Ltd.	14 %	Northern Bank Ltd.	14 %
Barclays Bank	14 %	Norwich Gen. Trust	14 %
Beneficial Trust Ltd.	15 %	People's Tst.& Sv. Ltd.	15 %
Brit. Bank of Mid. East	14 %	Provincial Trust Ltd.	15 %
■ Brown Shipley	14 %	R. Raphael & Sons	14 %
CL Bank Nederland	14 %	P. S. Refson	14 %
Canada Perm'nt Trust	14 %	Roxburghe Guarantee	14½%
Cayzer Ltd.	14 %	Royal Bank of Scotland	14 %
Cedar Holdings	14 %	Royal Trust Co. Canada	14 %
■ Charterhouse Japhet	14 %	■ J. Henry Schroder Wagg	14 %
Choulartons**		Standard Chartered	‖14 %
Citibank NA	14 %	Trade Dev. Bank	14 %
Citibank Savings	12½%	TCB	14 %
Clydesdale Bank	14 %	Trustee Savings Bank	14 %
C. E. Coates & Co. Ltd.	14½%	United Bank of Kuwait	14 %
Comm. Bk. N. East	14 %	United Mizrahi Bank	14 %
Consolidated Credits	14 %	Westpac Banking Corp.	14 %
Co-operative Bank	*14 %	Whiteaway Laidlaw	14½%
The Cyprus Popular Bk.	14 %	Williams & Glyn's	14 %
Dunbar & Co. Ltd.	14 %	Wintrust Secs. Ltd.	14 %
Duncan Lawrie	14 %	Yorkshire Bank	14 %
E. T. Trust	14½%		
Exeter Trust Ltd.	14½%		
First Nat. Fin. Corp	15½%		
First Nat. Secs. Ltd.	14½%		
■ Robert Fleming & Co.	14 %		
Robert Fraser & Ptns.	14½%		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		
■ Hambros Bank	14 %		
Heritable & Gen. Trust	14 %		
■ Hill Samuel	§14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11%, 1 month 11.75%. Fixed rate 12 months £2,500 11.75%. £10,000 12 months 12.00%.
† 7-day deposits on sums of under £10,000 11%, £10,000 up to £50,000 12%, £50,000 and over 12½%.
‡ Call deposits £1,000 and over 11%.
§ 21-day deposits over £1,000 12½%.
‖ Mortgage base rate.
§ Demand deposits 11%.
** See Provincial Trust Ltd.

CORRECTION NOTICE

UK COMPANY NEWS

Ransomes Sims tops £5m and increases dividend by 33⅓%

A SURGE of £2.13m to £5.31m in profit before tax was echieved by Ransomes Sims and Jefferies in 1984. And the final dividend is lifted by 4p to give shareholders a total of 20p net for the year, compared with 15p.

Benefit will continue in 1985 from the changes made over the last four years in relation to product specialisation, new product development and reorganisation of manufacturing facilities, and there is still more to be done in that respect.

At present the directors are confident of a further improvement in the level of profit in the current year, reports the chairman, Mr Astley Whittall.

He says the outlook on grass machinery is for further growth in trade both in the UK and overseas markets; but the position on farm machinery is more difficult to forecast becausa of the uncertainties relating to the Common Agricultural Policy and the effect that will have on the farmers' purchasing power.

The momentum created on product development since the group's specialisation in professional grass machinery and farm machinery tillage products has continued throughout 1984 with the launch of new models in both divisions.

"The development pipeline continues to be full of new products and more will be launched this year," the chairman states.

Despite investment in the U.S.—on Ransomes Floride and plant expansion in Wisconsin—there has been a further reduction in group borrowings.

Profits are now stated at average rates of exchange ruling during the year rather than taking the year-end rates. This means that the 1984 group figure is £285,000 less than it would have been under the previous method of calculation, and that the 1983 figure has been adjusted and is £37,000 less than that originally published.

The directors feel that it is important to improve the marketability of the company's shares, and propose to convert the present £1 shares into 25p and make a scrip issue of one new share for every old share held on May 1 (equal to one-for-four after the subdivision).

Group sales in 1984 moved ahead from £49.1m to £55.5m, from which a trading profit of £6.74m, against £4.88m, was earned. Interest charges were cut to £1.44m (£1.7m).

After tax £1.86m (£1.06m) and minorities £20,000, earnings per share came out at 62p (37.7p).

The overstock position at the end of the autumn farm machinery season, coupled with inclusion of stocks of the dealership in Florida and the fact that the overseas stocks were translated at a more unfavourable exchange rate, has left a large group stock increase in the year. The company has put plans into motion to correct the position for 1985.

In 1984 the grass machinery business made "further excellent progress." Export markets overall showed an increase of 49 per cent with sales to the U.S. going up by 71 per cent.

Difficulties were experienced on the farm machinery side because of uncertainties arising from the changes in the European CAP. It has also been e difficult year for some of the markets to which the company exports, where the economy is largely based on oil.

Some further progress was made although sales did not come up to original budgeted expectation, and the company had insufficient time by the year end to take corrective action and avoid an over-stocking situation.

Sales of industrial castings continued to grow.

Approximetely half the output of the foundry is now sold to customers outside the group. Ransomes anticipates e continuation of this strength in 1985.

Tha small industrial units on Ransomes estate et Ipswich were formally opened in mid-December. Several units have already been let and occupied, and there is considerabla interest in those remaining. Ipswich Borough Council has granted planning permission on the remaining land held for development at Ipswich.

● comment

The lines of communication between Ransomes Sims and Jefferies and the City have never looked particularly clear but this time round tha market was really wrong footed. At the beginning of the year Ransomes' shares stood at just 405p, by yesterday morning they were 140p higher and during the trading session they climbed another 89p. The analysts—admitedly far and few between with this stock—had been looking for around £4¾ for 1984 with perhaps £5½m for 1985. The £5.3m for 1984 surpassed every expectation. The weakness of sterling has obviously helped, but even so the City had seriously underestimated the buoyancy of Ransomes' figures. The group is still looking for a strong performance from grass cutting machinary in 1985, especially in North America, though the farming machinery division appears bogged down. With a following wind profits this year could reach £6m pre-tax which underpins a historic p/e of 10 at 628p, though Ransomes is not a share primed with potential growth.

Woodhouse & Rixson maintains recovery

DURING THE second six months of 1984 Woodhouse & Rixson (Holdings) extended its recovery to finish the full year with pre-tax profits at £262,000.

Furthermore, the progress was maintained over the first two months of the current year with order books strengthened and margins held. A final dividend of 0.75p makes a net total of 1p (0.75p).

For the 1983 year Woodhouse plunged from profits of £643,000 to losses of £444,000.

However, following the sale of five loss-makers the group moved £24,000 back into the black over the first six months of 1984 and with improved order books, reduced overheads and the disposal programme completed a further improvement was looked for during the second half.

The directors believe the measures taken since May should extend the recovery into 1985 and they view prospects with confidence.

The retained businesses now comprise ring rolling, open and closed die forging and to e lesser extent, spring making.

Turnover for 1984 rose to £8.99m (£8.61m) and trading profits totalled £351,000 (£344,000 losses). Interest charges were reduced from £100,000 to £89,000.

Earnings amounted to 2.1p (3.4p losses) per 12½p share after tax of £47,000 (£93,000 credit).

Below the line extraordinary debits accounted for £341,000 (£336,000). These comprised £318,000 in respecto f the retionalisation for ring rolling and open die forging and losses from disposals.

Derek Bryant rises to £1.4m aided by strong dollar

EXCHANGE RATE movements in 1984 benefited Derek Bryant, insurance group whose shares are traded on the USM.

Tha company, subsidiaries of which include a Lloyd's insurance broker and other companies providing insurance services worldwide, particularly in the U.S., reports pre-tax profits of £1.43m against £1.18m on increased turnover of £3.5m compared with £2.67m. Comparison figures are restated following the group's acquisition of I. R. Stock & Company during the year.

Minorities were £27,000 against £5,000, extraordinary credit was nil (£27,000) while tax was up at £686,000 (£586,000). Earnings per share were 29.32p (24.92p).

The final dividend is increased from 4p to 5p, making a total for the year of 7.35p against 6p a year previous.

Mr Derek Bryant, chairman, says that 1984 saw a significant increase in business derived from new and existing clients in the UK and the U.S., reflecting past investment.

In the latter part of the year, the group also began to receive benefits from the increased premiums required by underwriters owing to the tight market conditions.

Mr Bryant says that due to general market conditions, as well as an adverse loss ratio in this specific case, the group was unable to renew the main Darrah & Associates automobile facility in Lloyd's.

One of the group's U.S. subsidiaries has placed 50 per cent of tha business in the American domestic market, thus maintaining income at a reduced rate from this source.

"We still obtain a substantial part of our business portfolio from overseas, particularly the United States, and, therefore, our business remains subject to variations in exchange rates from which we have, of course, benefited during the past year," says Mr Bryant.

At the AGM in April 1984 it was said the main objective was to broaden the group's business base to reduce dependence on any single facility, individual or businass source.

As part of this policy, says Mr Bryant, the group acquired I. R. Stock & Company during the year. The company, now called Bryant, Stock & Company is a reinsurance broker, specialising in non-marine excess of loss and proportional treaty business emanating from Lloyd's and London insurance companies.

The purchase of 90 per cent of the company was made by issuing 238,500 10p shares to the vendors. The consideration would be valued at about £537,000 at the placing price of the shares.

I. R. Stock and its subsidiaries reported e turnover of £377,129 for the year to June 30 1983. Mr Bryant notes that the company made a useful contribution to the latest group results and the search for opportunities to expand, both internally and by acquisition, is continuing.

He says the company is prepared for uncertainties and ready to take advantege of the opportunities in the year ahead.

Resource Technology disappoints midterm

EVEN ALLOWING for the bias in favour of the second half and the short-term effects of reorganisation, profit of Resource Technology for the six months to October 31 1984 were disappointing, says the chairman Mr R. J. Stallard. He reports a profit down from a restated £647,000 to £277,000.

An extensive reorganisation is being implemented, involving the rationalisation of recent acquisitions, strengthening of management of certain operating subsidiaries, and action to take account of changes in market conditions.

A major effort is being made to complete the reorganisation, with its short-term disruptions, within the current year, says the chairman. Measures are also under consideration to reduce short-term borrowings and improve earnings per share.

While projections for the second half of the current year show a better result in terms of trading profits than the first, the reorganisation measures should make their first significant impact in 1985-86.

BOARD MEETINGS

TODAY

Interims:—AAH, Consolidated Gold Fields, Moran Tea.

Finals:—Candover Investments, Fleming Mercantile Investment Trust, Instem, Johnstone's Paints, National Westminster Bank, Oriflame International, Provident Financial, Unilever.

FUTURE DATES

Interims:—

Bell (Arthur)	Mar 26
Casket (S).	Apr 24
Christy Hunt	Mar 7
Ferry Pickering	Apr 10
Goodman Bros.	Mar 8
HTV	Mar 21
LWT	Mar 28
Majedie Investments	Mar 7
Microfilm Reprographics	Mar 11
Mucklow (A. and J.)	Mar 14
Thorpe (F. W.)	Mar 21

Finals:—

Antofagasta	Mar 6
Atlantic Computer Systems	Apr 15
Beatson Clark	Mar 22
Bestwood	Mar 13
Cement-Roadstone	Mar 6
Delta Group	Mar 28
Exco International	Mar 25
Guest Keen and Nettlefolds	Mar 13
Henderson Administration	Jun 6
Home Charm	Mar 28
Lowe Howard-Spink Campbell-Ewald	Mar 13
Morrison (Wm.) Supermarkets	Apr 3
Petrocon	Mar 18
Rowntree Mackintosh	Mar 14
Trinity International	Mar 20
Yorkshire Chemicals	Mar 12

UK COMPANY NEWS

Charles Batchelor looks at the traded options market

BT helps to seal the future

IF THE London Stock Exchange's traded options market decides to celebrate its seventh anniversary next month it might drink one toast to British Telecom.

It was the launch of an option on the BT shares last December which tripled turoover on the options trading floor. After more than six difficult years traded options appear finally to beve mede it.

Mr Tony Whalley, options specialist at stockbrokers Scrimgeonr, Kemp-Gee, said: "BT was very good news. It mede options take off in a big way."

Mr Michael Freyd, of Phillips & Drew, commented: "BT had a significant effect on the options market. It made many peoole aware of traded ootions."

The breakthrough bas come just in time. Worldwide demand for ways of limiting future risks, such as is provided by options, is on the iocrease.

And last Thursday's announcement that the London International Financial Futures Exchange (Liffe) plans to launch options contracts later this year was a clear sign that competition for thet most lucrative new options would be tough.

If the Stock Exchange had proved unable to establish a viable and broadly-based options market of its own then business could easily have passed it by.

What BT provided was a highly oublicised share which caught the public imagination and created investors from peoole who had never owned a stock before in their lives. The launch of a BT option the day after trading started in the shares themselves made people aware that there were opportunities beyond simply trading the share.

Options give their owners the right to buy or sell the underlying share et a pre-determined price up to nine months in the future. If you expect the share price of ICI, for examole, to doubla in six mooths' time the right to acquire that share in six mooths time et today's price is a valuable commodity.

Turnover on the optiona market jumped to 26,884 contracts on December 4 when trading in BT options began. BT itself accounted for 87 per ceot of the day's business. The day's total was nearly three times the previous record of 10,160 contracts.

While interest in BT has since declined the new-found enthusiasm for options spun off onto the other contracts and total volumes have remained high.

From a daily average turnover of 4,800 contracts in November, BT belped push volumes to more than 8,200 in December, to 12,400 in January and a still respectable 11,000 last month.

London's traded options market bas bad an uphill struggle to establish itself. Tha Stock Exchange has itself to blame for much of this.

London originally intended to set up e joint traded options market with the Amsterdam Stock Exchange but pulled out of the venture. When Amsterdam persisted and announced plans to open the ambitiously-titled European Options Exchange in Aoril 1978 a number of UK brokers and jobbers hastily revived the idea and launched the London traded options market in the same month. London failed, howevar, to beck the venture with sufficient funds.

The EOE has never fulfilled its pan-European ambitions, largely because of the reluctance of the regulatory authorities elsewhere to allow an international market emerge. But it has been quicker than London to introduce new options and trading volumes have been mucb higher. Average daily trading volumes in Amsterdam rose 45 per cent to 20,150 contracts in 1984 over the preceding year.

London bas speeded up tha pace of innovation in the past year. A stock index option, based on the FT-SE 100 Stock Index, was iotroduced last May end a gilt option followed in January.

Tax end other regulatory restrictions on potential users of the options market have graduelly been removed. The Inland Revenne ruled last May that pension funds would not be taxed on option profits while the Department of Trade gave unit trusts the go-ahead to use optioos in 1983.

After initially underestimating the promotional effort that would be needed to "sell" the unfamiliar option concept to UK investors the Stock Exchange's education programme has begun to pay off. Many investors now have a good idea of wbet an option is even if they are unfamiliar with the often complex trading strategies.

There is now a sizeable number of private investors willing to buy the options that fund managers are keen to sell. At a rough estimete about 30 per cent of business is accounted for by private investors.

Most importantly, with optlons now available on 27 sbares, including BP, GEC, ICI, Marks & Spencer, BAT, Jaguar and Hanson Trust, there is e broad enough range to guarantee thet et any one time at least a few of these stocks will be volatile enough to generate options business.

More and more brokers are setting up traded options teams to specialise in this market. In the aarly years many potential investors were frustreted by tbelr broker's lack of knowledge about the market. Other brokers are expanding their existing teams.

One measure of the growing importance of the options markets is that it has shown on several occasions that it can influence the price of the underlying share. When investors began selling off their "call" options in BT last month (cali options confer tha rigbt to buy the underlying stock) market makers started to dump the stock they had bought to meet the expected demand. This pushed the BT share price down.

The interaction between the stock and options markets imposes limits on the shares for whicb options can be listed. Market makers must he able to buy enough sharese to meet demand created by the options market and the share must not be easily influenced hy options business. Progress has been made hy the options market. The Stock Exchange announced last month it will give the traded options panel full committee status and a louder voice in own affairs.

But options trading continues to suffer from a *shortage of* market makers. This makes for a leck of strong competition in pricing options and users complain thet the spreads between bu yand sell prices are too wide.

Liffe's announcement that it plans to launch options on its Eurodollar futures contract and on a dollar/sterling currency contract poses a threat to the Stock Exchange's plan for expansion. The Exchange also has plans for currency options. The two markets could construct their contracts to appeal to different users but the question remains where there is room for hoth.

Likely haavy users of currency options, the banks, already trade futures contracts on Liffe. But they are at present barred from Stock Exchange membership. The Stock Exchenge's traded options committee is lobbying for the banks to he allowed to trade the proposed currency options nn the Exchange.

The committee's success or failure will determine whether the Stock Exchange's traded options market can expand beyond the gilts and equities field into the larger arena of financial options.

Brokers are nevertheless nptimistic that the radical changes in the Stock Exchange's rules due to take effect next year will provide a major boost for the options market. The present system of jobbers and brokers will make way for ona nf competing market makers.

"After the hig bang there will be an increase in the number of market makers," said Mr Freyd. "People who take positions in stocks will need opportunities to hedge their risks. It is difficult to conceive of many market makers taking a large position in equities unless they can bedge in the options.

"There will be mnch more use of options than in the past. We haven't seen anything yet."

The traded options market on the floor of the London Stock Exchange

FINANCIAL TIMES

Tuesday March 5 1985

London copper prices rise after Chile earthquake, Page 38

WALL STREET

Descent to lower altitudes

STOCK PRICES fell back on Wall Street yesterday from the record levels set last Friday and after a quiet start in the credit markets yields began to rise around lunchtime as prices sagged, *writes Michael Morgan in New York.*

With Fed funds holding steady around the opening 8 11/16 level, the absence of an expected addition of liquidity by the Federal Reserve through repurchase arrangements was seen as confirmation that the Fed was being less generous in the provision of reserves.

In the stock markets prices eased in early active trading and a later attempt at a rally proved short-lived.

By 3pm, the Dow Jones industrial average was down 12.04 at 1287.32.

In the credit markets prices of Treasury coupon issues were initially steady to slightly higher but they later turned uniformly lower. The key long bond, the 11¼ per cent of 2015, was quoted down 25/32 at 94 21/32 having been 29/32 lower at one stage.

At the short-end yields edged higher with results of the weekly auction of $14bn of three and six-month bills scheduled for later in the day. Three-month bill rates were up three points at 8.70 per cent while six-month bills were two points ahead at 8.98 per cent. CD rates were mixed.

Municipal bonds were little changed as traders prepared preliminary price structures for the week's new offerings. Corporate bond prices were also little changed.

In the stock markets Phillips Petroleum put on $1¼ to $50⅝ in heavy volume as the group unveiled an improved offer for its shareholders and Mr Carl Icahn confirmed he was terminating his tender offer.

Coastal Corporation, the petroleum marketing and refining company, added $1¼ to $32¼ as its $60 a share bid for American Natural Resources began. Directors of ANR, the Detroit-based natural gas pipeline and production company, are due to announce their position on March 15. Earlier the chairman rejected the offer as "quite inadequate." None the less the price surged $8¼ to $59⅝.

Textron, the aerospace and electronics group, edged $⅛ higher to $42⅜ as it announced plans to seek offers for its Bell Helicopter subsidiary as part of its plans to raise a total of $1bn through divestitures to reduce the debt it incurred to buy Avco Corp.

The Detroit car makers were mixed in the wake of President Ronald Reagan's decision to end restraints on imports from Japan. Ford shed $¼ to $33⅛ while General Motors which wants to increase imports from its Japanese affiliates to sell under the Chevrolet name, added $¼ to $79⅝. Chrysler, which also wants to triple imports of Japanese-made models, fell $⅜ to $33⅛.

CBS gave up the whole of the previous session's $3 advance to trade at $85½ in the wake of Turner Broadcasting's statement that it was not preparing a takeover bid. Turner, traded in the over-the-counter market, was unchanged at $19 bid.

Hoover Universal, the plastics and steel products group, was a $6¼ higher at $35 following the near $500m takeover bid from Johnson Controls. Johnson fell $1½ to trade at $42¾.

Abbot Laboratories was $⅞ ahead at $49⅝ after receiving the first government licence to introduce a test aimed at reducing the risk of Acquired Immune Deficiency Syndrome being spread by blood donors.

Among actively traded issues on the NYSE AT&T, celebrating its centenary as a corporate name, shed $⅛ to $21⅞. Mobil dipped $¼ to $29⅝.

On the American Stock Exchange actives included BAT Industries of the UK. Traded as American Depository Receipts, it rose $1/16 at $4 1/16. Wang Laboratories was $⅛ higher at $25⅛ while Tie Communications shed $½ to $7¼.

TOKYO

Confident scaling of new peaks

GROWING hopes that Wall Street will surge ahead this week to new peaks stimulated buying interest in Tokyo yesterday to take share prices to yet another all-time high, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average touched a record for the fifth consecutive trading day closing 89.35 higher at 12,509.01. Volume weakened to 429m shares from last Friday's 641m shares and advances outpaced declines 385 to 323, with 150 issues unchanged.

Inspired by the sustained strength on Wall Street last week, leading securities companies sought compact disc related issues in anticipation of further rises by quality stocks.

Sony climbed Y190 to Y5,020, recovering the Y5,000 level for the first time in 3½ years. Matsushita hit Y1,700 at one stage, closing at Y1,690, up Y40. Matsushita was the eighth most active with 8.73m shares changing hands, while Sony's turnover reached 3.14m shares.

Other blue chips also gained ground on light purchases. Hitachi put on Y17 to Y880, Honda Motor Y70 to Y1,550 and Canon Y70 to Y1,470.

Some biotechnology-related issues remained in the spotlight. Asahi Chemical Industry, heading the active list with a volume of 33.29m shares, soared Y30 at one stage and ended Y10 higher at 880. Fujisawa Pharmaceutical climbed Y70 to Y1,180. Kikkoman scored the maximum Y100 to Y800 after news that the group and the Agriculture, Forestry and Fisheries Ministry had created a new cell fusion technique.

By contrast, Green Cross, last week's major gainer, dropped Y130 to Y2,930.

Elsewhere Sumitomo Metal Mining added Y40 to Y1,710 on renewed investor appraisal of its gold vein discovery. Tobishima Corporation, a contractor, gained Y13 to Y278 on the development of a new power generation system using the temperature difference of seawater.

The net gain on the Nikkei-Dow average of 314 points in the past five trading days, combined with the huge buying balance on margin trading, raised investor concern about tightened restrictions on margin transactions.

Bonds were lethargic due to the uncertain market outlook. Some securities companies bought back government issues they had dumped in the middle of last week when the yen fluctuated wildly against the U.S. dollar.

The yield on the 7.3 per cent government bond, due in December 1993, dipped to 6.870 per cent from last Saturday's 6.910 per cent. Financial institutions stood aside, pondering the fate of U.S. interest rates.

HONG KONG

PROFIT-TAKING hit Hong Kong shares in moderate trading and left the Hang Seng Index down 1.69 to 1399.36.

In the banking sector Bank of East Asia was up 7 cents to HK$25.50, while Hongkong and Shanghai Bank rose 5 cents to HK$8.80. Cheung Kong lost 10 cents to HK$13.90, Swire Pacific shed 50 cents to HK$23.30 and Wheelock Marden slipped 5 cents to finish at HK$7.20.

Properties escaped the decline as the property index jumped 13.30 to 1649.48. Brokers attributed the rise to investors sentiment that the property market will improve moderately.

SINGAPORE

HEIGHTENED expectations that Friday's budget for fiscal 1985-86 will include measures aimed at stimulating the economy boosted the Straits Times index up 9.15 at 850.35 in heavy trading. In banks DBS gained 15 cents to S$6.30.

Industrials headed higher, although profit-taking in Singapore Press Holdings reduced it 10 cents to S$8.50. Genting rose 10 cents to S$5.80. Sime Darby put on 9 cents to S$2.07.

Properties had a firmer tone with Selangor Properties up 7 cents at S$2.25 and City Developments up 3 cents at S$1.38 – but Singapore Land slipped 2 cents to S$3.04.

EUROPE

Further range of records

A RECORD-BREAKING mood returned to the European bourses yesterday with new index peaks reached in a number of the centres while many individual shares elsewhere scored record highs.

Frankfurt put on an effervescent performance with a 10.9 surge in the Commerzbank index to an all-time high of 1,207.3, partly as a result of foreign investors returning in the hope of currency gains.

Internationally popular blue-chips displayed the best gains with Siemens DM 10.40 ahead at DM 563.80, Deutsche Bank DM 4.50 stronger at DM 423 and Bayer leading the chemicals sectors with a DM 3 rally to DM 213.50.

Isolated declines tempered the euphoria with Commerzbank DM 1.60 cheaper at DM 165.70. Schering down DM 1.50 to DM 472 and Munich Re down DM 5 to DM 1180.

Lufthansa added DM 2.50 to DM 195.00 while gains of DM 10 were recorded by Deutsche Babcock at DM 170 and Hochtief at DM 468.

Porsche provided the driving force in the quality car sector with its DM 14.50 jump to DM 1,340, a new all-time high. Daimler's rise was limited to 50 pfg at DM 669.50. BMW fell DM 1.50 to DM 384.

Steels were broadly higher with Mannesmann DM 3.70 ahead and Thyssen up 80 pfg to DM 103.10.

The rally in equities drew attention from the bond market and the Bundesbank sold a relatively small DM 5.1m in paper compared with Friday's DM 6.4m sales.

Total share and bond turnover on the bourse rose 0.8 per cent in February (compared with January) to DM 12.89bn. Share turnover reached DM 5.66bn, a rise of 0.9 per cent over January and the largest single monthly increase in a year. The most active shares were Siemens, BASF, Bayer, Deutsche Bank and Thyssen.

Brussels took its cue from New York's Friday record by storming ahead to a peak of its own with a 17.33 advance in the Stock Exchange index to 2,270.12.

Petrofina gained BFr 10 to BFr 7150 in heavy trading while Société Générale de Banque's proposed capital increase and unchanged dividend took the group BFr 40 down to BFr 3,425. Société Générale de Belgique, Belgium's largest holding company, rose BFr 35 to BFr 2,000, a new high.

One of the few easier issues was cement and concrete producer CBR, which fell BFr 30 to BFr 2,620 despite a dividend boost for last year.

Heavy Zurich trading, encouraged by a steady foreign exchange market and a more optimistic view of forthcoming corporate results, took the Swiss Bank industrials index to a record high of 423.1, a gain of 5.4 points.

Metals and chemicals sector sub-indices also settled at records while a broad advance was made elsewhere.

Jacobs-Sucbard gained SwFr 100 to SwFr 6,300 while Nestlé managed a SwFr 85 advance to SwFr 8,810. Sandoz's SwFr 25 rise returned it to a 12-month high of SwFr 8,100 while Landis & Gyr shed SwFr 10 to SwFr 1,960.

Foreign buying combined with local investor support to push **Amsterdam** higher with a 3.4 gain in the ANP-CBS index to 204.2.

Philips benefited from its China orders with a Fl 1.50 rally to Fl 63.20, a new peak for the year. Among other internationals Unilever scored a Fl 5.50 rise to Fl 337 taking it near the top of its recent trading range. Royal Dutch firmed Fl 1.90 to Fl 202.80 and KLM gained Fl 2.90 to Fl 62, a 12-month high.

Boskalis gained 20 cents to Fl 16.20 while in banks ABN moved Fl 2.50 ahead to Fl 398.

Bonds encountered a measure of stability.

Milan opened the week sharply lower as **Stockholm** edged higher.

Institutional buyers emerged in an active **Paris** that took foods and technology issues higher. **Madrid** banks performed best in a firmer session.

LONDON

End of strike makes little impression

THE COLLAPSE of the miners' strike gave London stocks an early boost but the effects were eroded by a lack of investment response. It seems UK investors have decided to await the budget proposals later this month. The FT Ordinary index opened 8.1 higher but closed 4.9 up at 979.9.

In foreign exchange markets sterling came under pressure from a stronger dollar, although it maintained a firm trend against leading continental currencies, and talk revived of North Sea oil price concern – Brent crude oil prices were reported to be a shade better yesterday.

Fund-raising possibilities continued to inhibit business in the financial sector with Barclays Bank, which is due to report its preliminary statement on Thursday, still thought to be the prime candidate for a rights issue.

BAT Industries rose 30p to 365p, reflecting U.S. demand late on Friday which accompanied a heavy trade on the American Stock Exchange, but there were few other features among leading industrial issues.

Conventional Government securities encountered similar circumstances to equities and ended below the best levels. Index-linked issues were the exceptions and finished around the session's highest with the accent on the shorter maturities, up ¾ in places.

Chief price changes, Page 32; Details, Page 33; Share information service, Pages 34–35

AUSTRALIA

OVERSEAS buyers were evident in Sydney as prices rose across the board in moderately active trading. The All Ordinaries index gained 5.8 to 796.1.

Diversified resource issues were in demand with Bell Resources up 10 cents to A$5.30, BHP adding 8 cents to A$5.64 and CSR up 1 cent to A$2.83.

Among oil and gas issues, Santos firmed 10 cents to A$5.50, Bridge Oil gained 3 cents to A$2.20 and Woodside Petroleum put on 1 cent to 82 cents.

Banks were mixed with ANZ up 4 cents to A$4.82 and National Australia up 2 cents to A$3.57. Westpac slipped 5 cents to A$3.48.

Leading miners found local and offshore support. Peko-Wallsend gained 18 cents to A$4.00, MIM added 7 cents to A$2.67 and CRA advanced 6 cents to A$5.82.

SOUTH AFRICA

A STEADY bullion price and a stronger rand lifted many Johannesburg gold shares. Among the strongest gains were Kloof with a R2 advance to R71.50 and Driefontein, 25 cents firmer at R9.85.

Diamonds and platinums followed the trend with De Beers up 13 cents to R9.23, while Rustenburg Platinum rose 25 cents to R15.75, but Impala eased 20 cents to R20.70.

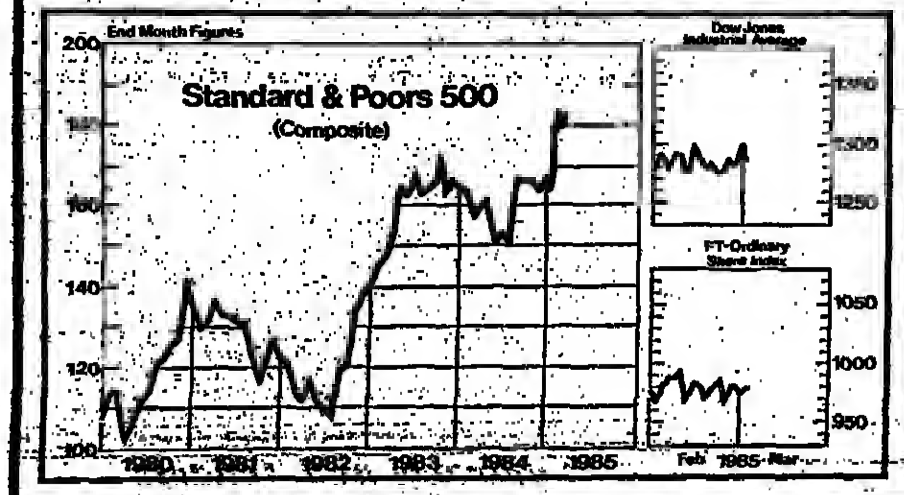
Other minings, financials and industrials were little changed in very quiet trading.

CANADA

A NARROW trading range was maintained at Toronto after a poor opening, led by weaknesses among golds and metals. Campbell Red Lake fell C$½ to C$24½ and Campbell Resources fell C$¼ to C$5¼. Alcan Aluminium slipped C$⅛ to C$38⅞. Dome Petroleum rose 3 cents to C$2.95.

In Montreal industrials and utilities were weak while banks firmed.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Mar 4	Previous	Year ago
NEW YORK			
DJ Industrials	1,287.32*	1,299.38	1,171.48
DJ Transport	629.76*	635.30	520.58
DJ Utilities	147.68*	148.80	129.38
S&P Composite	182.70*	183.23	159.24
LONDON			
FT Ord	979.9	975.0	832.6
FT-SE 100	1,265.7	1,250.6	1,060.7
FT-A All-share	610.53	605.82	499.91
FT-A 500	667.02	661.40	538.42
FT Gold mines	477.8	476.5	704.7
FT-A Long gilt	10.82	10.86	10.11
TOKYO			
Nikkei-Dow	12,509.01	12,412.14	9,946.48
Tokyo SE	990.39	981.91	773.37
AUSTRALIA			
All Ord.	796.1	790.3	726.3
Metals & Mins.	480.9	475.0	499.3
AUSTRIA			
Credit Aktien	73.39	74.59	55.23
BELGIUM			
Belgian SE	2,270.12	2,252.79	–
CANADA			
Toronto Metals & Minls	2,101.2*	2,108.7	2,234.0
Composite	2,630.6*	2,625.2	2,425.0
Montreal Portfolio	131.80*	131.50	119.05
DENMARK			
Copenhagen SE	177.38	176.97	193.6
FRANCE			
CAC Gen	204.6	203.0	163.4
Ind. Tendance	110.5	109.6	87.11
WEST GERMANY			
FAZ-Aktien	416.40	411.42	351.74
Commerzbank	1,207.3	1,196.4	1,034.4
HONG KONG			
Hang Seng	1,399.46	1,401.15	1,079.63
ITALY			
Banca Comm.	279.72	276.85	221.97
NETHERLANDS			
ANP-CBS Gen	204.2	200.8	161.3
ANP-CBS Ind	161.4	159.2	132.0
NORWAY			
Oslo SE	321.66	319.19	250.63
SINGAPORE			
Straits Times	850.35	841.2	1,021.6
SOUTH AFRICA			
Golds	919.6	898.9	1,016.4
Industrials	847.8	855.7	1,003.7
SPAIN			
Madrid SE	113.3	112.7	85.03
SWEDEN			
J & P	1,445.39	1,434.14	1,520.74
SWITZERLAND			
Swiss Bank Ind	423.1	417.7	367.9
WORLD	Mar 1	Prev	Year ago
Capital Int'l	197.8	197.0	181.9

GOLD (per ounce)

	Mar 4	Prev
London	$288.50	$287.75
Zürich	$288.75	$287.50
Paris (fixing)	$288.95	$287.85
Luxembourg	$289.25	$288.25
New York (Apr)	$291.90	$291.60

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Mar 4	U.S. DOLLAR Previous	STERLING Mar 4	STERLING Previous
$	–	–	1.0685	1.0725
DM	3.378	3.35	3.6	3.6
Yen	259.95	260.3	277.0	280.0
FFr	10.315	10.245	11.025	11.025
SwFr	2.893	2.8575	3.085	3.085
Guilder	n/a	3.78	4.08	4.0825
Lira	n/a	2,092.0	2,235.0	2,243.5
BFr	n/a	67.55	72.4	72.55
C$	n/a	1.39125	1.49	1.49

INTEREST RATES

	Mar 4	Prev
Euro-currencies (3-month offered rate)		
£	14	14 1/16
SwFr	5 15/16	5 13/16
DM	6 1/16	6 3/16
FFr	11⅛	11 3/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	9⅞	9⅞
6-month U.S.$	10⅛	10 3/16
U.S. Fed Funds	8 11/16*	9 1/16
U.S. 3-month CDs	9.30*	9.15
U.S. 3-month T-bills	8.69*	8.63

U.S BONDS

Treasury		Mar 4* Price	Mar 4* Yield	Prev Price	Prev Yield
10	1987	98 23/32	10.73	98 26/32	10.68
11⅝	1992	99	11.835	99 14/32	11.50
11¼	1995	96 7/32	11.91	96 23/32	11.63
11¼	2015	94 23/32	11.90	95 16/32	11.80
Corporate		**Mar 4* Price**	**Mar 4* Yield**	**Prev Price**	**Prev Yield**
AT & T					
10⅜	June 1990	95	11.65	95	11.65
3⅞	July 1990	74¼	10.30	74¼	10.30
8⅝	May 2000	74⅝	12½	74⅝	12½
Xerox					
10⅞	March 1993	92¼	12.20	92¼	12.20
Diamond Shamrock					
10⅜	May 1993	91½	12.30	91½	12.30
Federated Dept Stores					
10⅜	May 2013	88.128	12.55	88.128	12.55
Abbot Lab					
11.80	Feb 2013	93.47	12.65	93.47	12.65
Alcoa					
12¼	Dec 2012	94.36	13.00	94.36	13.00

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
March	68–23	69–18	68–19	69–09
U.S. Treasury Bills (IMM) $1m points of 100%				
March	91.31	91.39	91.27	91.31
Certificates of Deposit (IMM) $1m points of 100%				
March	90.55	90.70	90.52	90.54
LONDON				
Three-month Eurodollar $1m points of 100%				
March	90.30	90.32	90.25	90.33
20-year Notional Gilt £50,000 32nds of 100%				
March	104–05	104–04	104–00	103–24

COMMODITIES

(London)	Mar 4	Prev
Silver (spot fixing)	526.35p	523.60p
Copper (cash)	£1,276.50	£1,254.50
Coffee (March)	£2,391.00	£2,384.50
Oil (spot Arabian light)	$27.775	$27.725

Prices at 3pm, March 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Prev. Close	Ch'ge
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

B B B

C C C

D D D

E E E

F F F

G G G

H H H

I I I

J J J

K K K

L L L

M M M

N N N

Continued on Page 31

AMERICAN STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, March 4

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 32

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued from Page 30

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 32

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Mar. 4	Price Sch%	+ or —
Creditanstalt	239	+1
Goesse	460	—20
Interunfall	510	....
Laenderbank	233	....
Perlmooser	424	—9
Steyr-Daimler	178	....
Veitscher Mag	377	—10

BELGIUM/LUXEMBOURG

Mar. 4	Price Frs.	+ or —
B.B.L.	1,850	+10
Banq. Int. A. Lux	5,800	+60
Bekaert B	5,500	-60
Ciment CBR	0,620	—30
Cockerill	976	+1
Delhaize	7,600	+20
EBES	2,970	+25
Electrobel	5,420	+60
Fabrique Nat	2,160	+5
GB Inno BM	3,050	+20
GBL (Brux)	0,160	+10
Gevaert	4,115	+85
Hoboken	6,050	+60
Intercom	2,850	+6
Kredietbank	8,090	+10
Pan Hldgs	11,400	—100
Petrofina	7,160	+10
Royale Belge	10,700	—100
Soc. Gen. Banq	3,425	—40
Soc. Gen. Belge	2,000	+35
Sofina	7,740	+90
Solvay	4,300	+00
Stanwick Intl.	1,500	....
Traction el	4,060	+50
UCB	5,070	+50
Wagon Lits	2,675	+25

DENMARK

Mar. 4	Price Knr %	+ or —
Andelsbanken	299	+4
Baltic Skand	645	....
CopHandelsbank	290	+5
D. Sukkerfab	545	....
Danske Bank	284	—1
De Danske Luft	1,240	....
East Asiatic	159	—2
Forenede Brygg	855	+6
Forenede Damp	01	....
GNT Hldg	430	....
I.S.S.B.	694	—4
Jyske Bank	546	+5
Novo Ind.	1,760	....
Privatbanken	247	+8
Provinsbanken	304	+4
Smidth (F)	226	—4
Sophus Berend	980	+00
Superfos	478	—6

FRANCE

Mar. 4	Price Frs.	+ or —
Emprunt 4½% 1975	1635.2	—10.8
Emprunt 7% 1975	7,662	—9
Accor	264	+4.5
Air Liquide	635	+5
BIC	557	....
Bongrain	1,730	+90
Bouygues	642	+0
BSN Gervais	0,434	+14
CIT-Alcatel	1,249	—1
[illegible]	[illegible]	[illegible]

GERMANY

Mar. 4	Price Dm.	+ or —
AEG Telef	115.5	+2.6
Allianz Vers	1028xr	—0
BASF	209.8	+0.2
Bayer	013.5	+5.0
Bayer-Hypo	514.0	—4.5
Bayer-Verein	333	—4
BHF-Bank	267.0	—0.5
BMW	584.0	—1.5
Brown Boveri	224	+8
Commerzbank	160.7	—1.6
Cont'l. Gummi	131.2	+5.7
Daimler-Benz	669.5	+0.5
Degussa	660	—1
D'sche Babcock	170	+10
Deutsche Bank	423.0	+4.5
Dresdner Bank	193.8	—1.0
GHH	160.5	+4.6
Hochtief	468	+10
Hoechst	210.0	+4.3
Hoesch Werke	110.5	+1.0
Holzmann (P)	405	+6
Horten	171.5	+2.5
Hussel	200.0	....
Karstadt	018.5	+0.6
Kaufhof	216	....
KHD	278.0xr	+1.5
Kloeckner	77.5	+2.5
Linde	426.5	+0.5
Lufthansa	195.0	+2.5
MAN	165	+1
Mannesmann	160.7	—6.3
Mercedes Hld	576.5	+4.0
Metallgesell	235	+5
Muench Rueck	1160	—6
Nixdorf	542	+1
Porsche	1,340	+14.5
Preussag	061.4	+5.4
Rhein West Elect	153	+0
Rosenthal	265	+5
Schering	470	—1.5
Siemens	563.8	+10.4
Thyssen	105.1	+0.8
Varta	187.5	+9.0
Veba	170.5	+5.0
V.E.W.	122.5	+0.5
Verein-West.	515	+0
Volkswagen	197	+5

ITALY

Mar. 4	Price Lire	+ or —
Banca Com'le	18,000	—700
Bastogi-IRBS	181.25	—7.5
Beni Invest Risp.	3,610	—140
Centrale	3,140	—240
Credito Varesino	4,050	—230
Fiat	2,790	—99
Finsider	53	+1
Generali Assicur.	50,105	1,218
Italcementi	61,550	—2,000
La Rinascenti	644	—9
Montedison	1,417	—70
Olivetti	6,760	—170
Pirelli Co	43,45	—45
Pirelli Spa	2,127	—66
Snia BPD	2,786	—124
Toro Assic	14,150	—1,250
do. Pref	10,750	—710

NETHERLANDS

Mar. 4	Price Fls	+ or —
ACF Holding	194	+7
[illegible]	[illegible]	[illegible]

NORWAY

Mar. 4	Price Kroner	+ or —
Bergens Bank	166	+1
Borregaard	580	+5
Christiania Bank	152	+0.5
DenNorske Cred	155	+2
Elkem	148.5	+3.5
Kvaerner	177.5	+1.5
Norsk Data	407	—3
Norsk Hydro	106.5	—1
Storebrand	235	—1

SPAIN

Mar. 4	Price Pts%	+ or —
Bco Bilbao	337	+1
Bco Central	520	—6
Bco Exterior	306	+1
Bco Hispano	159	....
Bco Popular	375	....
Bco Santander	345	....
Dragados	183.5	....
Hidrola	65.2	+9.2
Iberduero	98.6	+2.3
Petroleos	164.5	+0.8
Telefonica	123.7	....

SWEDEN

Mar. 4	Price Kronor	+ or —
AGA	370	....
Alfa-Laval	180	—1
ASEA (Free)	325	....
Astra (Free)	385	....
Atlas Copco	180	+1
Cardo (Free)	253	+3
Cellulosa	126	+1
Electrolux B	311	+4
Ericsson	005	+8
Esselte	575	....
Mo Och Domsjo	241	+1
Pharmacia	011	+11
Saab Scania Free	440	....
[illegible]	[illegible]	[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Tr. 13% 2000	£113½	+ ½
Tr. 2 pc I.L. 1990	£97	+ ¾
Adams & Gibbon	223	+17
BAT Inds.	365	+30
Cable & Wirel	515	+25
Centrov' Ests.	215	+10
Christies Intl.	583	+17
Edinb'gh O & G	70	+10
General Acc	528	+ 6
House of Fraser	403	+57
Ingram (H.)	120	+35
Invent Energy	875	+85
Jackson	109	+25
Jaguar	339	+11
Medminster	158	+ 5
Metal Closures	164	+16
Midland Bank	350	+12
Pressac	133	+17
Ransomes Sims	628	+83
Royal Ins.	572	+14
Rugby Port. Cem.	131	+ 4
Williams Hldgs.	243	+13
Yorkshire Chems.	81	+ 4

FALLS

Brammer	294	—12
Burn. & Hallams	65	— 5
Hillsdown	155	— 8
Oxford Inst.	268	—10
Polytecynic Mar	200	—15
Selincourt	19	—2½
Waring & Gillow	128	—12

Continued on Page 40

CANADA

TORONTO

Prices at 2.30pm March 4

[illegible]

MONTREAL

Closing prices March 1

[illegible]

AMERICAN STOCK EXCHANGE PRICES

Continued from Page 31

[illegible]

NEW YORK PRICES

Continued from Page 31

[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

Collapse of miners' strike makes little overall impression on markets

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Feb 11	Feb 21	Feb 22	Mar 4
Feb 25	Mar 7	Mar 8	Mar 18
Mar 11	Mar 21	Mar 22	Apr 1

* "New-time" dealings may take place from 9.30 am two business days earlier.

The collapse of the year-old miners' strike gave London stock market sentiment an early boost but the effects were eroded by a lack of investment response. Turnover remained low despite continuing strong performances in New York and Tokyo, both of which went to all-time records last Friday, and the impression was formed that UK investors had decided to await the Budget proposals later this month. The FT Ordinary share index opened 8.1 higher but closed 4.9 up at 979.9.

In foreign exchange markets, sterling came under pressure from a stronger dollar, although it maintained a firm trend against leading Continental currencies, and talk revived of North Sea oil price worries; Brent crude prices were reported to be a shade better yesterday.

Fund-raising possibilities continued to inhibit business in the Financial sector with Barclays Bank, which is due to report its preliminary statement on Thursday, still thought to be the prime candidate for a rights issue. Barclays settled marginally easier while the three other clearers closed higher.

Reflecting U.S. demand late on Friday which accompanied a heavy trade on the American Stock Exchange, BAT Industries rose sharply but there were few other features among leading industrial issues.

Stores, however, attracted increased takeover speculation following the Alfayed Investment and Trust bid for House of Fraser; the authorities are currently considering a Monopolies Commission report on the latter's relationship with Lonrho, and an announcement is expected soon.

Conventional Government securities encountered similar circumstances to equities and ended below the best levels. Index-linked issues were the exceptions and finished around the session's highest with the accent on the shorter maturities, up ¼ in places. Longer-dated stocks in the sector were restrained by Friday's issue of two £150m tranches of ultra-long stocks. Conventional Gilts showed general rises of ⅛, although one or two longs established gains of ¼.

Royals dip and rally

Royal Insurance's near-89 per cent annual profits decline to £11.2m, due to sharply deteriorating worldwide underwriting losses of £347.4m, disappointed and the shares were immediately marked down to 550p. The price later rallied strongly, however, to close 14 up on balance at 572p as investors took the view that the worst is now over. Other Composites followed and General Accident, due to report preliminary figures tomorrow, recovered from 518p to close a net 6 better at 528p. Among Lloyd's Brokers, Derek Bryant put on 5 to 490p following the results.

Still unsettled by fund-raising fears, Barclays softened a few pence more to 595p but other clearers regained composure after Press comment on the dividend season, which opens with NatWest today. The latter moved up 5 to 643p with the market estimating preliminary profits in the region of £625m to £650m. Midland, which reports tomorrow, jumped 12 to 350p, while Lloyds hardened a couple of pence to 542p. Elsewhere, Bank of Scotland added 7 at 447p and Royal Bank of Scotland firmed 6 to 246p. Reflecting domestic market influences, German concerns Commerzbank, at 925p, and Deutsche, at £117½, advanced 40 and 7½ points respectively.

Mayhew Foods staged a bright debut in the Unlisted Securities Market; the shares, placed at 100p, opened at 117p and touched 122p before settling at 120p. Among other recently-issued equities, Sims Catering attracted a lively business and moved up to 165p before profit-taking left the close only 5 higher on balance at 153p. By contrast, Hillsdown Holdings, the food manufacturing major, which was heavily oversubscribed at tender, continued to drift lower on lack of support and closed 8 down at 155p.

The collapse of the miners' strike stimulated selective "cheap" buying of Breweries; sentiment was given an additional boost by the January beer production figures, showing a 6.25 per cent increase on the same month in 1984. Bass stood out with a gain of 12 to 505p, while Whitbread "A" added 4 at 189p.

Business in the Building sector was slow, but cement producers attracted sporadic demand on vague rumours of a cement price increase in the pipeline. Blue Circle rose 7 to 512p, after 515p, while Rugby Portland Cement, occasionally the subject of takeover speculation, touched 134p prior to closing a net 4 up at 131p. Cement Roadstone firmed a penny to 68p awaiting tomorrow's annual results. Elsewhere, Burnett and Hallamshire, which plummetted from 165p to 70p last week on news that the company is in discussions with its principal bankers about reducing its debts, edged up to 75p before slipping back again to close 5 cheaper on balance at 65p; Brint Investments, however, linked to B and H through cross-shareholdings, rallied 8 to 88p; Brint stated yesterday that at the close of business on February 28, its net asset value was 173p per share and it held 550,000 shares in B and H.

ICI, an active market last week following the impressive annual results and successful vendor placing of 18m shares, traded on a quieter note and fluctuated narrowly prior to closing a couple of pence dearer on balance at 844p. Among other Chemicals, buying ahead of the annual results due on March 12 lifted Yorkshire Chemicals 4 to 81p. Dealings in Blagden Industries were suspended at 130p, up 2, at the company's request pending publication of reorganisation particulars and details of a possible major acquisition.

Fraser buoyant on bid

The session in Stores was enlivened by a £615m bid for House of Fraser from Alfayed Investment and Trust. Fraser's share price quickly established a premium over the provisionally agreed offer level of 400p cash per share and touched 415p before settling a net 57 higher at 403p. Lonrho, awaiting the imminent publication of the Monopolies Commission report into its relationship with Fraser, closed 2 dearer at 167p, after 169p.

Other leading Stores were overshadowed, although Debenhams attracted renewed takeover speculation and rose to 212p before settling a net 4 to the good at 208p. Burton advanced 8 to 433p. Secondary issues lacked a decided trend. Buyers returned for W. H. Smith "A," 6 better at 184p, after 190p, while MFI hardened 5 to 223p. Selincourt, on the other hand, gave up a couple of pence at 19p following "take-profits" advice. Sellers also predominated in Waring and Gillow, 12 cheaper at 128p.

Cable and Wireless stood out in Electricals, rising 25 to 515p, after 520p, following news of the telecommunication deal with the Chinese Government. Elsewhere, Pressac jumped 17 afresh to 133p on continuing takeover speculation and Crystalate firmed 5 to 200p in response to Press comment. Polytechnic Marine, on the other hand, lost 15 to 200p following the interim profits setback and Oxford Instruments declined 10 to 268p after profit-taking in the absence of the rumoured bid from Ferranti; the latter cheapened 2 to 144p in the wake of a sizeable put-through on Friday. The leaders closed mixed after a quiet trade. British Telecom revived with an improvement of 2 at 120p.

Trading statements and bid situations, both rumoured and actual, kept interest alive in the Engineering sector. Bumper preliminary figures and the capital proposals prompted a sharp rise of 83 to 628p in Ransomes Sims, while J. and H. B. Jackson moved up 25 to 109p on news of the unwelcome bid from Williams Holdings; the latter improved 13 to 243p. Among potential takeover candidates, Birmid Qualcast met with speculative demand and rose 5 to 87½p along with Davy Corporation, a like amount dearer at 97p. Barro improved 4 to 88p awaiting further bid developments. Revived demand left Tace 15 to the good at 443p, while buying in anticipation of Thursday's preliminary statement left Davies and Metcalfe a couple of pence dearer at 56p.

Among Food Retailers, news of the miners' return to work gave a mild boost to Associated Dairies, 2 firmer at 152p, after 154p. Buyers also showed interest in Nurdin and Peacock which gained 8 to 172p.

Among Hotels, buyers again favoured Trusthouse Forte, up 3 at 155p, after 156p.

Christies Int good

The miscellaneous industrial leaders made a bright start, but gradually drifted back in the absence of any worthwhile support. Beecham and Hanson Trust finally managed small gains at 350p and 211p respectively. Elsewhere, Christies International, still reflecting its overseas earnings potential, advanced 17 to 583p, while Hawley Group responded to the preliminary figures with a rise of 4 to 104p. British Vita, also reflecting annual results, hardened a couple of pence to 184p. Beneficiaries of the miners return to work included Powell Duffryn, 7 to the good at 385p, Associated British Ports, 3 dearer at 254p, and Dobson Park, a couple of pence higher at 88p. Buying in anticipation of the preliminary results, due later this month, left Metal Closures 10 to the good at 164p, while Wolseley - Hughes, scheduled to report interim figures on March 13, rose 9 to 306. Marling Industries were supported at 74p, up 7, but "take profits" advice left Times Veneer 3 lower at 51p. Brammer lost 12 to 294p, on fading bid hopes, but Neill and Spencer responded to weekend press mention with a rise of 4 to 44p. Competition fears left European Ferries 3½ cheaper at 148½p.

Furniture hire group Medminster rose 5 to 158p in reply to the good half-year results.

A number of noteworthy features emerged in the Motor sectors. Jaguar continued Friday's late rally and closed 11 better at 339p, helped by the announcement that Mr John Egan, currently chief executive, is to take over as chairman. Buyers also wanted Group Lotus which advanced to a new peak of 100p before closing 4 up on balance at 95p awaiting news of the reported link-up with Chrysler of the U.S. Distributors highlighted Adams and Gibbon, up 17 at 223p.

In Properties, Centrovincial Estates attracted speculative demand on revived takeover hopes and touched 220p prior to closing a net 10 up at 215p.

Among otherwise idle Textiles, Nottingham Manufacturing responded to a favourable press mention and closed 6 to the good at 226p. Revived speculative demand lifted Harold Ingram 35 to 120p, but Nova (Jersey) remained friendless and slipped 2 more to 17p.

Bats spurted 30 to 365p, after 370p, inspired by a substantial turnover on the American Stock Exchange last Friday following talk of bullish circulars from a clutch of U.S. brokers. Imperial Group, subdued of late in the continued absence of a statement concerning the future of its Howard Johnson operation, improved in sympathy to close 5 up at 190p, after 192p.

Oils improve

Leading Oils made progress at the outset and generally maintained their firmer opening levels helped by U.S. support towards the close. BP settled 5 to the good at 530p; the company opens the preliminary reporting season on Thursday. Shell, scheduled to announce their annual figures a week later, put on 10 to 770p and Royal Dutch ¾ to £49¾. Lasmo eased a shade to 340p following weekend press comment suggesting a possible rights issue. Among secondary stocks Carless Capel edged up 2 to 155p following the acquisition of U.S. oil and gas interests from America's LTV Corporation for $39.6m in cash. Favourable comment in the Sunday press boosted Edinburgh Oil and Gas 10 to 70p while buying in front of Thursday results gave a major lift to Eric which jumped 30 to 210p.

Recent speculative favourite Invest Energy continued to make progress and surged ahead to close a further 85 to the good at a year's best of 875p, reflecting renewed optimism over the company's exploration interests.

Quiet Mines

Activity in all the major sectors of mining markets was reduced to a trickle. South African Golds settled into a routine trading pattern, after the erratic performance of last week, and showed a slight majority of small gains on balance, helped by a steady bullion price. The latter moved narrowly prior to closing a net $1.25 firmer at $288.5 an ounce.

Beatrix Mines made an unexciting London debut; offered by way of a rights issue to Gencor holders, the shares in nil-paid form opened around 68p premium and subsequently drifted back to close at 45p premium.

Australians gave a muted response to good gains in Sydney and Melbourne markets overnight.

Total contracts struck in Traded Options amounted to 8,256. The FT-SE 100 contract returned to prominence and accounted for 488 calls and 989 puts, while the strength of the underlying share price prompted strong demand for Bats positions in which 779 calls were transacted. Similar conditions prevailed in Jaguar which recorded 705 calls.

FINANCIAL TIMES STOCK INDICES

	Mar. 4	Mar. 1	Feb. 28	Feb. 27	Feb. 26	Feb. 25	year ago
Government Secs.	80.19	80.17	80.66	80.22	79.89	79.32	83.20
Fixed Interest	83.56	83.69	83.73	83.71	83.17	82.98	86.91
Ordinary	979.9	975.0	979.9	980.2	975.0	968.0	832.0
Gold Mines	477.8	476.5	485.0	468.1	448.7	441.4	754.7
Ord. Div. Yield	4.45	4.47	4.45	4.44	4.45	4.46	4.42
Earnings, Yld.% (full)	11.50	11.56	11.12	11.11	11.12	11.14	9.49
P/E Ratio (net) (*)	10.58	10.54	10.80	10.61	10.80	10.76	12.75
Total bargains (Est.)	24,892	26,534	35,013	34,301	27,583	27,341	23,210
Equity turnover £m.	—	572.23	360.35	466.96	510.88	299.91	305.76
Equity bargains	—	19,695	19,310	30,879	30,658	32,871	23,951
Shares traded (ml)	—	178.0	195.1	325.6	160.2	176.7	120.0

10 am 983.1. 11 am 980.6. Noon 980.5. 1 pm 979.8.
2 pm 979.3. 3 pm 979.9.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.
*Nil=10.26.

HIGHS AND LOWS

—	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.77 (9/1/84)	74.72 (30/7/84)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/3/84)	80.43 (30/7/84)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1/85)	755.3 (23/7/84)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	711.7 (9/3/84)	430.0 (25/1/85)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Mar. 1	Feb. 28
Daily		
Gilt Edged Bargains	162.6	181.0
Equities Bargains	128.0	126.4
Value	752.4	728.2
5-day Average		
Gilt Edged Bargains	159.7	156.4
Equities Bargains	134.5	145.0
Value	720.8	752.5

NEW HIGHS AND LOWS FOR 1984/5

NEW HIGHS (133)

BRITISH FUNDS (8)
AMERICANS (2)
CANADIANS (2)
BANKS (3)
BREWERS (1)
BUILDINGS (4)
CHEMICALS (4)
STORES (4)
ELECTRICALS (5)
ENGINEERING (13)
FOODS (2)
INDUSTRIALS (13)
INSURANCE (5)
LEISURE (2)
MOTORS (3)
NEWSPAPERS (2)
PROPERTY (4)
TEXTILES (1)
TRUSTS (30)
OILS (1)
PLANTATIONS (1)

NEW LOWS (19)

BUILDINGS (1)
Travis & Arnold
STORES (2)
Goldsmiths; Ladies Pride
ELECTRICALS (4)
A. & G. Sec. Elect.; DJ Security Alarms
Checkpoint Europe; Polytechnic Marine
ENGINEERING (1)
Weeks Associates
FOODS (2)
Slaters Food Prods.; Sutherland (E. T.)
INDUSTRIALS (4)
Bestobell; Star Computer
Dominion Intnl.; V.W. Thermax
TEXTILES (1)
Nova (Jersey)
OILS (1)
Clyde Petroleum
MINES (3)
Stilfontein; Utd. Goldfields
Portman Mining

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	68	7	30
Corpns. Dom. and Foreign Bonds	16	11	46
Industrials	363	198	883
Fin. and Props.	161	45	342
Oils	35	14	74
Plantations	5	2	10
Mines	47	21	110
Others	107	43	71
Totals	802	341	1,566

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price	+ or	Net div.	Times covered	Gross yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price	+ or
[illegible]							

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price	+ or
[illegible]							

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully paid. ‡‡ Introduction. ※ Unlisted Securities Market. § Placing price. † Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share. † Comprising one 11 per cent Cnv.Uns.Ln. stk. and one Warrant. ● With Warrants attached. ‡‡ Units comprising one New Ord., four New Pref. and one Warrant.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar 4	Mar 15	June 13	June 24
Mar 18	Mar 29	June 27	July 8
Apr 1	Apr 19	July 11	July 22

For rate indications see end of Share Information Service

Money was given for the call of F. H. Tomkins, Midland Bank, Combined Technologies, TI, C. H. Bailey, MS International, Selincourt, Britoil, Sangers, Readicut, Birmid Qualcast, Davy Corporation, Hillsdown, "The Times" Veneer, Arrow Chemicals, Waring and Gillow, Steinberg, A. Cohen A, Evered, Bristol Oil and Minerals, J. Sainsbury, Racal, British Telecom, Brunswick, Falcon Resources, Dataserv and Polly Peck. Puts were struck in Waring and Gillow, Standard Chartered, Cookson, Clive Discount and Smith St. Aubyn, while a double was taken out in Falcon Resources.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BAT Inds	365	+30
Brammer	294	−12
ORG	169	—
General Accident	528	+ 6
Group Lotus Car	95	+ 4
Hawley Group	104	+ 4
Hogg Robinson	276	− 2
House of Fraser	403	+57
Imperial Group	190	+ 5
Jackson (J. and H. B.)	109	+25
Jaguar	339	+11

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
ICI	23	842	+ 7
Waring & Gill.	19	140	+23
NatWest Bank	18	638	−14
Barclays	17	598	−16
Shell Trans.	14	760	+ 5
Bunzl†	13	437	+19
Lloyds Bank	13	540	−12
Midland Bank	13	338	− 2
Reed Int'l.	13	550	+10
Sims Catering†	13	148	+ 3
BAT Inds	12	335	—
Hse of Fraser	12	346	+18

† New

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS	Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri March 1 Index No.	Thur Feb 28 Index No.	Wed Feb 27 Index No.	Tues Feb 26 Index No.	Year ago (approx.) Index No.
[illegible]										

FIXED INTEREST

PRICE INDICES	Mon March 4	Day's change %	Fri March 1	xd adj. today	xd adj. 1985 to date
[illegible]					

AVERAGE GROSS REDEMPTION YIELDS	Mon March 4	Fri March 1	Year ago (approx.)
[illegible]			

EUROPEAN OPTIONS EXCHANGE

Series		May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
GOLD C	$300	9	7.50	—	—	—	—	$299.25
GOLD C	$320	—	—	28	5	—	—	"
GOLD C	$320	25	5	—	—	—	—	"
GOLD P	$340	—	—	15	35	—	—	"
GOLD P	$350	01	2.50	—	—	—	—	"
GOLD P	$360	16	2.70	24	5.90	—	—	"
GOLD P	$280	36	6	46	10.50	—	—	"
[illegible]								

TOTAL VOLUME IN CONTRACTS: 46,808

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts Jly.	Puts Oct.
B.P. (*530)	425	115	—	—	0	—	—
	460	75	80	90	5	15	15
	500	37	50	58	10	25	05
	550	15	28	37	60	03	62
[illegible]							

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Imperial Gp. (*182)	160	38	41	—	2	0	—
	180	21	25	29	0	0	10
	200	12	17	21	14	20	24
	220	0	16	16	55	38	41
[illegible]							

Mar. 4. Total contracts 8,256 Calls 4,837 Puts 3,419
* Underlying security price.

LONDON SHARE SERVICE

BEERS, WINES—Cont.

1984-85 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
280	210	Young Brew 'A' 50p	210		†5.5	2.0	3.7	18.7
180	120	Do. Non V. 50p	130		†5.5	2.0	6.0	11.6

BUILDING, TIMBER, ROADS

1984-85 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
261	186	AMEC 50p	249		†10.0	2.4	5.7	9.5
202	157	Aberdeen Const.	184		†6.5	2.7	3.0	9.5
210	164	‡Access Satellite 5p	208		b2.0	2.5	1.4	40.8
31	13	Allied Plant 5p	28	+1	8—	—	—	—
35	22	‡Amco Ind Hldgs.	22		—	—	—	—
77	38	Arncliffe 10p	38		‡2.66	2.1	‡	5.6
111	01	Attwoods	206		5.5	1.8	4.7	18.6
337	232	BPB Inds. 50p	240	+2	†7.0	3.5	4.2	8.6
280	124	Baggeridge Brick	260	+5	6.25	3.7	3.4	11.2
45	27	Bailey (Ben) 10p	28	+1	1.8	2.9	9.2	5.1
82	30	Baldwin (H. J.) 10p	40	+5	—	—	—	15.7
188	68	Barratt Dev. 10p	74	+2	7.62	1.7	14.7	4.0
162	115	Bellway	128		7.0	2.0	8.3	8.0
27	55	Benford M. 10p	49	−1	3.75	1.2	7.8	15.7
260	96	‡Berkeley Group	248		u3.6	2.6	3.2	17.0
63	45	Bett Bros. 20p	58		3.1	♦	7.6	♦
606	349	Blockleys 20p	540	−5	†21.0	2.5	3.6	13.8
520	355	Blue Circle £1	512	+7	19.0	2.9	3.3	7.4
216	184	Breedon Lime	212	+6	0.4	1.3	5.7	18.9
69	46	Brickhouse Dudley 10p	65		3.2	1.7	7.0	11.8
366	66	BO & EA	335	+5	†3.0	4.8	3.2	7.9

DRAPERY & STORES—Cont.

1984-85 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
54	35	‡Kent (John) 5p	48xd		g1.23	♦	3.7	♦
54	22½	Ladies Pride 20p	22½	−1	1.5	♦	10.0	♦
148	100	Lee Cooper	133		5.68	5.1	3.9	5.3
470	148	Liberty	470		†4.5	2.4	0.9	45.7
260	97	Do. Non Vtg.	260		†4.5	2.4	1.6	24.2
£36¾	£22	Limited Inc $0.50	£36⅝	+1⅛	Q24c	—	0.6	—
167	63	Lincroft K. 10p	160xd		5.5	2.5	4.9	9.4
275	130	MFI Furniture 10p	223	+5	†4.6	2.8	2.9	17.0
140	99	Marks & Spencer	136	+2	†h3.13	2.0	3.3	21.3
248	155	Menzies (J.)	228		†h3.0	4.9	1.9	14.1
143	116	Milletts Leis. 20p	116		d6.95	0.7	8.6	31.4
124	70	NSS News 10p	102	+4	3.3	2.9	4.6	10.7
365	260	Oliver (G.) "A"	335	−5	†7.0	3.5	5.0	11.0
178	215	Our Price 20p	369xd		†3.0	4.0	1.2	28.0
188	128	Owen Owen	180		3.3	2.4	2.6	19.6
98	78	Peters Stores 10p	78		2.0	—	3.7	—
143	71	Preedy (Alfred)	115		†3.5	2.1	4.3	12.6
30½	22½	Ramar Texts. 5p	23		1.3	2.2	9.3	5.7
62	40	Ratners 10p	61	−1	2.3	0.7	5.4	41.5
48	22	Roybeck 10p	25	+1	†g0.67	4.4	‡	8.6
262	130	‡Rayford Supreme	158	+3	4.9	2.5	4.4	12.7
115	84	Reed Austin 'A' N/V	109		h3.0	2.1	3.9	8.4
25	18	S&U Stores 12½p	21		—	—	—	—
39	29	Do. 31⁄₂pcPf. 12½p	36	+½	3.94	—	15.6	—
128	103	Samuel (H.)	123		h4.17	1.0	4.0	29.9
95	68½	Do. 'A'	81	+3	h4.17	1.0	7.3	19.7

AMERICANS—Cont.

[illegible]

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

MINES—Continued

Finance

Australians

Tins

Miscellaneous

High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
75	31	♥Anglo Utd. Dev.	48	+2	—	—	—
410	210	♥Centennial Mar'ls.	225	−5	—	—	—
175	70	♥Colby Res Corp.	90	+15	—	—	—
956	450	Cons. Murch. 10c.	475	.....	†Q100c	1.4	10.2
40	25	♦Emex Int. Ir10p	38	.....	—	—	—
252	150	Hampton Areas 10p	190	.....	3.75	2.1	2.6
225	140	♥Highwood Res.	210	.....	—	—	—
£24½	£16	Homestake Mining $1	£21¾	+¾	Q20c	—	0.8
295	135	♥McFinley Red Lake	270	+10	—	—	—
245	101	♥Masto Explorations	240	+10	—	—	—
55	23	♥New Sabina Res C$1	33	.....	—	—	—
365	220	Northgate C$1	305	−5	—	—	—
718	500	RTZ	633	.....	†18.0	2.7	4.1
£155½	£113½	Do. 9½pcLn '95-2000	£139	.....	Q9½%	35.4	0.3
£13⅝	850	♥Tara Expln $1	£12¾	+¼	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3)
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ‡ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ∥ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations. xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	90	.....	Arnott	157	.....
Craig & Rose £1	£10	.....	CPI Hldgs	58	.....
Finlay Pkg. 5p	60	.....	Carrol Inds.	110	+2
Hagsons Brew	115	.....	Dublin Gas	60	.....
Holt (Jos) 25p	£10	.....	Hall (R. & H.)	44	−1
IoM Stm. £1	127	.....	Heiton Hldgs.	16	.....
IRISH			Irish Ropes	40	.....
Exch. 12% 1985	£99⅝	.....	Jacob (W.& R.)	65	.....
Nat. 9¾% 84/89	£85¾	+⅛	TMG	110	.....
Fin. 13% 97/02	£90¼	+⅛	Unidare	85	.....

OPTIONS —3-month call rates

Industrials	p				
Allied-Lyons	16	GKN	17	Turner Newall	10
BAT	32	Hanson Tst.	17½	Unilever	85
BOC Grp.	25	Hawker Sidd	38	Vickers	39
BSR	16	Hse of Fraser	30	**Property**	
BTR	52	ICI	60	Brit Land	12
Babcock	14	'Imps'	18	Cap Counties	18
Barclays Bank	48	Jaguar	28	Land Secs	25
Beecham	32	Ladbroke	24	MEPC	28
Blue Circle	45	Legal & Gen.	58	Peachey	22
Boots	13	Lex Service	28	Samuel Props	14
Bowaters	20	Lloyds Bank	45	**Oils**	
Brit Aerospace	33	Lucas Inds.	25	Brist. Oil & Min	4
Brit. Telecom	11	Marks & Spcr	11	Brit Petroleum	42
Brown (J.)	3	Midland Bk	30	Burmah Oil	18
Burton Ord	39	NEI	8	Charterhall	6
Cadburys	14	Nat West Bk.	60	Premier	5
Comm Union	19	P & O Dfd.	36	Shell	60
Courtaulds	12½	Plessey	17	Tricentrol	18
Debenhams	17½	Polly Peck	26	Ultramar	19
Distillers	28	Racal Elect	18	**Mines**	
Dunlop	6	RHM	11	Charter Cons	18
FNFC	8½	Rank Org Ord.	32	Cons Gold	44
Gen Accident	45	Reed Intnl	58	Lonrho	14
Gen Electric	17	Sears	8	Rio T Zinc	56
Glaxo	85	TI	28		
Grand Met	25	Tesco	20		
GUS 'A'	60	Thorn EMI	35		
Guardian	60	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 39

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

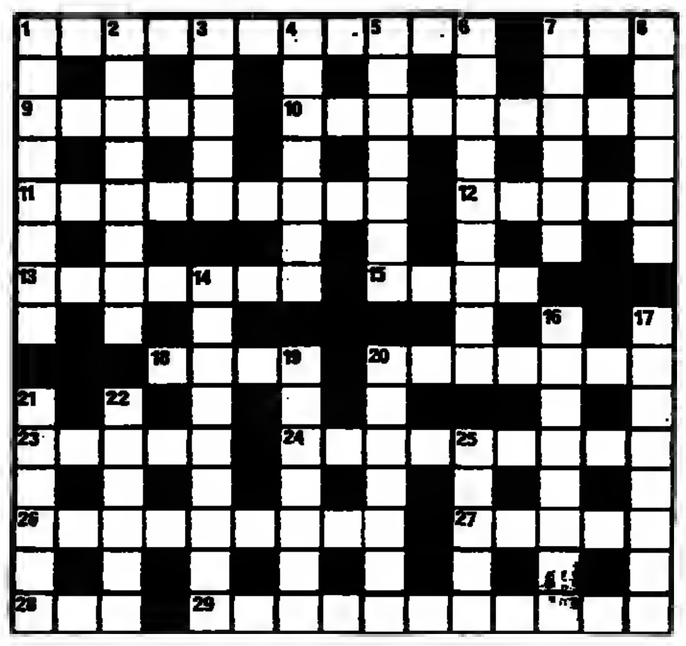
AUTHORISED UNIT TRUSTS

Britannia Gp. of Unit Trusts Ltd. (a)(c)(g)
Salisbury House, 31, Finsbury Circus, London EC2 01-588 2777 Dealing: 01-638 0478/0479
Britannia Viewpoint 01-675 6666

UK Specialist Funds				
Growth Gilt Trust	51.7	52.5	...	0.73
Recovery	75.4	80.4	-0.9	2.94
Smaller Cos.	110.4	117.8	-1.2	1.29
Spec. Mkt. Sits.	73.0	77.9	-0.3	1.95
UK Growth (Domestic)	31.4	33.5	...	3.14
High Income Funds				
Extra Inc.	48.5	51.7	+0.1	8.28
Gilt	25.2	26.9	+0.1	9.96
Inc & Growth	149.3	159.3	+0.9	4.77
Nat. High Inc.	143.6	153.2	+0.8	6.07
Pref. Shares	16.9	18.0	...	11.47

INSURANCES

FT CROSSWORD PUZZLE No 5,660



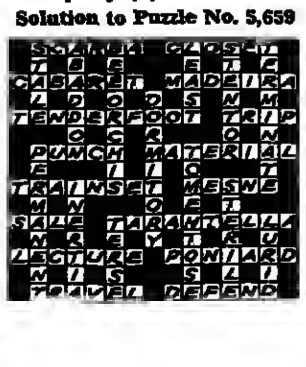
ACROSS

1 Cowardly girl comes to deliver mixture (4-7)
7 Jazz hit (3)
8 Before the unit turned left (5)
10 It's responsible for a cut in growth (4, 5)
11 Tall baby-sitter? (4-5)
12 A small department, but skilful (5)
13 It's back on board, which is remarkable (7)
15 Drive quietly home after getting the music centre (4)
18 A slight mark on the music (4)
20 Reduce size of exhaust (3, 4)
23 Half undo one forward coupling (5)
24 Famous lady politician seen in feeble musical play (9)
26 Lively car Muriel ordered (9)
27 Silent guy returns the vermouth (5)
28 Match that is after the 1st (3)
29 A man of property for some time (11)

DOWN

1 In a favourable position one is happy, it seems (8)
2 Touch one before entering recent contest (8)
3 Call round about the leading Italian colour (5)
4 Girl brought up in foul place to live (7)
5 Returns for service the broken drawers (7)
6 A man I'd not converted gets eternal punishment (8)
7 The delivery man Jack left inside (6)
8 One in labour, perhaps, seeking equality of status (6)
14 Having two tongues? (9)
16 Rising, Dr Cook came on in and told lies (8)
17 The youth leader leaves the catalogue for the designer (8)
19 Only a copy, but it's right about plaice (7)
20 The Sun ever moves around, you conclude (7)
21 The boy on the coach rises to resign (6)
22 Enter the church behind the buttress (6)
25 Overcome when dismissed by the party (5)

Solution to Puzzle No. 5,659



INSURANCE, OVERSEAS & MONEY FUNDS

Save & Prosper Group
28, Western Rd, Romford RM1 3LB — 0708-66966

Global Equity Fund	96.5	102.2	+0.6
Bar Inc Fd	304.4	322.2	+1.1
Property Fd	289.8	306.7	
Gilt Fd	233.4	247.0	-0.7
Deposit Fd	197.1	208.6	
Man. Pens. Fd.	65.2	69.0	+0.2
Equity Pens. Fd	66.6	70.5	+0.4
Prop. Pens. Fd	56.2	59.5	
A. G. Bond Fund	77.8	82.4	+0.5
Dep. Pen Fd	53.2	56.3	
Gilt Pens Fd	52.0	55.1	-0.2
Global Eq Pens. Fd	76.3	80.8	+0.5

Weekly dealings

Schroder Life Assurance Ltd.
Enterprise House, Portsmouth — 0705 827733

Equity	586.1	616.9	+0.9
Fixed Interest	255.1	268.7	+0.2
Managed	308.5	324.7	-0.4
Deposit	186.5	196.3	+0.1
Overseas	205.9	216.7	+1.9
Property	284.5	299.4	
American	216.0	227.3	+2.2
Australian	122.2	128.6	+0.1
European	191.7	201.7	-1.6
Gilt & Fxd Int	137.0	145.1	-0.1
Income Accum	257.1	270.0	-0.4
Income Distrib.	200.6	211.1	-0.3
International	203.2	213.8	+1.8
Japan Smlr Co's	120.3	126.6	-0.9
Singapore & Malay	150.1	158.0	+1.7
Smaller Co's	255.6	269.0	+1.6
Tokyo	230.3	242.4	+3.0
V A Equity	234.2	246.5	-0.7
CCM Vanguard Mngd	261.4	275.1	+1.9
Equity Pension	349.5	367.8	+0.6
Fxd Int Pension	207.6	218.5	+0.5
Guaranteed Pens.	118.2	124.4	+0.2
Index-Linked Pens.	104.0	109.4	
Managed Pension	771.6	812.2	+1.6
Deposit Pension	115.6	121.6	+0.1
Overseas Pension	214.1	225.3	+2.5
Property Pension	251.9	265.1	+0.1
Special Ex Pension	210.9	222.0	+1.3

Money Market Trust Funds

	Nom	CAR	Int Cr	Notice
The Money Market Trust — 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	14.15	14.77	6-mth	Call
7-day Fnd	14.01	14.62	6-mth	7-day
Oppenheimer Money Management Ltd — 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	13.70	14.15	6-mth	Call
7-day Fund	13.93	14.41	6-mth	7-day
Money Mngt Acct	13.50	14.20	3-mth	Call
Dollar	6.62	6.72	6-mth	2-day

Money Market Bank Accounts

	Nom	APR	Int Cr	Notice
Aitken Hume — 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	15.75	14.48	Qtr	Call
Mth Int Chq	13.50	14.37	Mth	Call
Bank of Scotland — 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc	13.25	14.09	Mth	Call
Barclays Prime Account — PO Box 125, Northampton. 0604 252891				
High Int Cheque	13.50	14.19	Qtr	Call
Britannia Grp of Investment Companies — 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	13.25	14.09	Mth	Call
Charterhouse Japhet plc — 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	13.25	14.085	Mth	Call
U S Dollar	7.50	7.763	Mth	Call
German Marks	5.0	5.115	Mth	Call
Swiss Francs	2.0	2.018	Mth	Call
Japanese Yen	5.0	5.116	Mth	Call
Premier Acc	13.10	14.00	Daily	Call
Tyndall & Co — 29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc	13.84	14.57	Qtr	Call
Money Acc	13.50	14.20	Qtr	[illegible]
J. Henry Schroder Wagg & Co Ltd — Enterprise House, Portsmouth. 0705 827733				
Special Acc	13.40	14.25	Mth	Call
Over £10 000	13.65	14.54	Mth	Call

Notes. CAR compounded annual rate. Int Cr frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U S dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

Chile earthquake boosts LME copper market

BY RICHARD MOONEY

CONCERN ABOUT the effect of the weekend earthquake on Chilaan copper production boosted prices on the London Metal Exchange yesterday. Early gaina were trimmed back somewhat, however, after the opening of the Now York market where traders appeared to find the news less alarming.

The London Metal Exchange cash high grade copper quotation closed at £1,276.50 e tonne. up £11.50 from Friday'o closing level.

From Santiago it was reported that the earthquake hed resulted in production being holted at the El Tenlente divisiodn of Codelco, the atate-owned copper corporation, and that Codetco'a Andina Divieion also had prohlems. The Chuquicamata and Selvador divisions were not thought to have been affected.

In 1983 El Teniente accounted for 305,000 tonnes of 1.01m tonnes of refined copper produced hy Codclco.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending Feb 22)

	(tonnes)
Aluminium	−2,650 to 128,300
Copper	−4,800 to 104,775
Lead	−3,750 to 49,475
Nickel	−492 to 5,964
Tin	−260 to 21,855
Zinc	+750 to 33,200
	(ounces)
Silver	+396,000 to 53.89m

The earthquake is reported also to have posed transport problems. Seven important road bridges were destroyed and port installations were damaged at Valparaiso.

Apart from the Chile news, copper values were influenced again by bullish currency factors and by a substantial fall in LME warehouse stocks last week. These may havo surprised somo traders, but others said the fall was unexpected.

Currency factors alao helped to lift tin and lesd prices. The latter was lifted also hy a large LME stocks fell which helped to confirm recent signs of nearby supply tightness. Cash lead ended £6 up on tho day at £329 a tonne.

The announcement of a small fall in LME stocks helped to support zinc values esrly in the day but when this was corrected to ahow a fairly substantial rise values slid back.

The cash quotation ended £9 down on balance at £826 s tonne In spite of Preussag of West Germany's announcement that It had raised its selling price from $900 to $925 a tonne.

● Malaysian tin exports, including re-exports, are expected to total 42,000 tonnes this year .the same as last year according to the Primary Industries Ministry. Reuter reports from Kuala Lumpur.

London tea prices fall again

TEA PRICES fell again at yesterday's weekly London auction, for the sixth week in succession. The average price of quality grade tea fell 16p from last week'a level to 290p a kilo, according to the Tea Brokers Association of London. Medium grade tea was 2p cheaper at 250p a kilo and low medium 6p cheaper at 198p.

A total 43,052 packages was offered at the sale, including 9,650 in the offshore section. Although prices were lower, the associetion said demand was strong and generel. It said bettor quality Assams were irregular but aold at near previous levels while others declined 5p to 10p a kilo.

Africans were also easier by up to 15p a kils although brighter medium grade offerings were well supported and remained about steady. Offshore teas met a fair demand but at generally lower levels.

● TOTAL TEA imports to tha UK rose to 217.52m kg last year from 184.26m in 1983, tha International Tea Committee said in London. Net imports rose to 184.20m kg from 155.18m previously.

● THAILAND'S COFFEE exports totalled 11,208 tonnes tast year, up from 10,809 tonnes in 1983, the privato Board of Trade said in Bangkok.

● GRAIN STOCKS in UK intervention stores at the end of last week reached 3,848,731 tonnes, a rise of 80,247 tonnes on the previous week'a figure, the Home Grown Cereals Authority said.

● ARGENTINA'S Agriculture Secretary, Sr Lucio Reca, said in Buenos Aires that the export tax on maize had heen cut to 21 per cent from 25 per cent.

● MALAYSIA expected to produce about 100,000 tonnes of cocoa this year, against an estimated 88,000 tonnes last year, the Primary Industries Ministry said. Better yields from plants and maturing of about 20,000 hectares would lead to increased output, it said in lts annual commodities report.

Malaysia expected to oxport 82,000 tonnes this year, against 73,500 tonnes last year valued at 384m ringgit, the ministry said.

UN agricultural fund 'to survive'

BY A CORRESPONDENT IN ROME

A STEP has been taken towards solving the funding crisis which has threatened existence of the International Fund for Agricultural Development (IFAD) since 1983.

"We now know IFAD is going to survive," said Mr Idriss Jazairy, its chairman, at the end of two days' discussions among member-countries.

Tho fund is the United Nations' agency set up following the 1974 world food conference and specifically aimed to help the rural poor, particularly small farmers and the landless, in developing countries.

Its first three years' operations, 1978-80, were founded with $1bn, in what Mr Jazairy called a unique agreement between industrialised countries and tho Organisation of Petroleum Exporting Countriee in sharing tha hurden of agency funding.

IFAD'o funds were replenished with a further $1.1bn pledged hy member-countries for 1981-1984. The U.S., with $180m, was the largest contributor to this, followed hy Saudi Arabia with $156m.

Other major contributors were Japan ($60m), West Germany ($58m), Kuwait ($56m), France ($49m), The Netherlanda ($45m) and Nigeria ($40m).

A Rome meeting which ended on Friday overcame the two stumbling-blocks which had prevented agreement on a second fund replenishment.

Opec members have shifted significantly from their previous position of agreeing only to contribution targets, a position unacceptoble to industrialised member-countries. Opec members are now prepared to make firm financial commitments.

Opec and Organisation for Economic Co-operation and Development groups bad also disagreed on hurden-sharing.

According to Mr Jazairy, thia obstacle has been pushed aside by avoiding rigid formulas for defining how IFAD's funding ahould be divided, though the alternatives proposed for the current replenishment of funds are all based on a 60/40 split between the OECD and Opec.

The four alternative funding levels now under consideration for the second replanishment are for total amounts ranging from $500m to $650m. These are considerably less than IFAD's earlier funding.

In hia opening statemont to the meeting, however, Mr Jazairy underlined the importance of ensuring IFAD's survival. If it meant reaching agreement on the basis of a lower level of replenishment than had been hoped for.

Neverthelesa Mr Jazairy ia optimistic IFAD'a level of operation in the past four years can be maintained over tho next three years.

Although the second funding replenishment seems likely to provide resources which are about $60m less a year, at the highest level of funding now being considered, IFAD'a chairman believes tho strong dollar and edditional voluntary contributions will allow this gap to be bridged.

An eighth meeting on the second replenishment will be held in Rome at the start of next month, when the exact level of funding ahould be decided.

Meanwhile Mr Jazairy will soon visit Libya and hopes tha Goveroment in Tripoli, which pledged $31m for the first replenishment but defaulted, will decide to contributo.

Tho U.S. policy towards IFAD has been a critical factor in the funding-survival issue. That the Rome discussions managed to by-pass tho problem of burden-sharing is due to increased U.S. flexibility.

A week before the recent meeting Mr George Shultz, U.S. Secretary of State, received s letter from Senator Mark Hatfield and Representativo Silvio Conte. It expressed concern that IFAD's existence was at risk. They told Mr Shultz there was Congressional support for OECD countries to bear 60 per cent of IFAD'o funding.

Continued U.S. support for IFAD has alao been urged by pressure groups. Their views were reinforced in February by publication of results of the review of IFAD's operations conducted by tho U.S. Agency for International Development (USAID) at tha end of last year.

The report said: "IFAD's overall performance during its first seven years represents s positive beginning. Its concentrated attention on and growing experience with programmes for tho poorer small farmers and landless people is a significant and urgent dimension of today's international dovelopment efforts."

The report also notes IFAD'a policies are generally consistent with U.S. development assistance policy.

Controversies surrounding IFAD'a funding have resulted in delays in the payment of contributions and caused uncertainty in the agency's programme level.

The failure of IFAD's members to meet payments scheduled—tho USAID report notes the U.S. did not complete its payments within the time of the first replenishment—have made long-term planning difficult.

Whilo next month's meeting is likely to permit IFAD's continuation for a further three years, it will not remove the risk of crises over funding, or create a stable basis for the long term.

So, once the second replenishment is resolved, Mr Jazairy expects to initiate a review of IFAD'a funding structure and lending policies "to ensure that there will be continuity in its operation at sppropriato levels on a predictablo hasis."

Danish pigmeat trade reorganises

BY HILARY BARNES IN COPENHAGEN

DENMARK'S PIGMEAT export trade entered a new era yesterday when a fresh agreement took effect between the ESS-Food markoting co-operative and the nine Danish slaughterhouses which own it.

Until January 1 last year ESS-Food had a monopoly of export sales of all pigmeat cuts of more than 3 kg, but from that date five of the slaughterhouses pulled out and hegan marketing thoir products themselves.

As of yesterday the agreement hetween the nino remaining members of ESS-Food was abolished.

ESS-Food will now act ao an independent export trading organisation. It will continue to take delivery from the slaughtorhouses to meet its export operations but the slaughtorhouses will be free to market their own products abroad if they wish to.

When last year tho ESS-Food monopoly was broken there were fears the atrong position of Danish pigmeat, especially in the UK market, might be undermined hy price competition between Danish producers.

So far there are no aigns this has happened. Moreover, last year was a record one for Danish pigmeat exporters. None the less, Mr Erik Platz, ESS-Food's chairman, warned that in a weaker market if too many companies tried their strength this could lead to undesirable price competition.

Tho decline of ESS-Food'a position since lts establishment at the atart of the 1960s reflects changes in the product mix of Danish exporters.

Bacon sides used to dominate sales. Today hacon accounts for 21 per cent only of Denmark'o total pigmeat exports, compared with 46 por cent in 1970.

The new products have a higher value added than bacon sides. They also require closer market contact between producers and buyers.

This factor, with related prohloms over sharing out ESS-Food's revenues, caused the changea in ESS-Food's position.

The co-operativo is and will remain a major force in the Danish pigmeat world, however, especially in the Continental and Japanese markets.

Denmark's export earnings from pigmeat rose by 14 per cent last yesr to a record Kr 17.7bn with export volume up by 2 per cent to 822,000 tonnes, according to tho Danish Slaughterhouses Association.

Total pig production fell by 2.6 per cent to 14.7 per cent but was expected to rise hy 5 per cent to 6 per cent this year, the association said.

Last year's production came from a stock of sows totalling 900,000. The same number of sowa in 1976 produced only 10.2m pigs, representing a productivity rise of about 40 per cent.

World's main sugar exporters to discuss low prices

BRISBANE — CSR, Australia's sugar-marketing agent, would discuss co-operation to combat low world prices with tha three other main sugar exporters, Mr Neil Turoer, Queensland'e Primary Industries Minister, said yesterday.

CSR representatives would hold preliminary talks with counterparts in the capitals of Brazil, Cuba and the EEC this week and next, he said. He was officially opening the Queensland Cane Growers Association annual meeting here.

The Government is giving CSR every oncouragement to pursue tho possibility of exporter co-operation st a commercial level, he said.

"I emphasise that these current talks are preliminary. No early hreakthroughs are likely. The immediate aim is simply to get the fonr major exporters to sit down togother, at the commercial level, in the near future."

He said that whether common understandings could be reached at auch a meeting remained uncertain et this stage.

There would be no purpose in seeking resumption of multilateral negotiations at the intergovernmontal level in the immediate future ln view of the magnitude of differences at the failod Internotional Sugar Agreement talks last year, he sald.

The CSR move formed part of the initiative by Mr Bob Hawke, the Australian Prime Minioter, for a meeting of augar producers of the four main exporters to discuss ways of dealing with low sugar prices, the Sugar Board explained after Mr Turner'a speech.

Mr Turner said that at hia urging Mr Hawke submitted a formal request during his recent visit to Brnssels for the planned 1985-86 review of the Common Agricultural Policy to take account of the interests of all world sugar producers and exporters.

He said the EEC agreed to consider suggestions that Australia might put forward and the Sugar Board and CSR were preparing representations.

The Queensland Cane Growers Council plans to campaign for Government aid for Australia'a 6,000 sugar cano farmers, Mr Fred Soper, its chairman, told the meeting.

Cane-growers face their lowest real incomes ever and many would go out of business without aid, he said.

The average cane-grower's income dropped to $A5,622 in 1983-84 from $A24,274 in 1981-82, well below the Australian poverty line, according to Mr Soper. Direct, immediato assistance was essential or many efficient growers would be forced to leave the industry, he said.

LONDON MARKETS

COCOA PRICES lacked direction in early trading as the bullish influence of weaker sterling against the dollar clashed with the bearish influence of official reports of good growing conditions in Brazil and higher purchases from growers by the Ghana Cocoa Marketing Board than at the same time last year.

Prices drifted lower towards the close as sterling staged a partial recovery and the May position on the London futures market ended £14.50 down on the day at £2,175 a tonne.

In the absence of other news coffee futures had only sterling'o pared decline to react to and the May futures position ended the day £14 higher at £2,445.50 a tonno.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

METALS	Mar. 4 1985	+ or −	Month ago
Aluminium	£1100		£1100
Free Mkt	$1125/114		$1150/1176
Copper			
Cash h Grade	£1276.5	+11.5	£1253.5
3 mths	£1295.25	+10.7	£1274.25
Gold troy oz	$288.5	+1.25	$301.75
Lead Cash	£320	+6	£341
3 mths	£357.75	+3.75	£344.5
Nickel			
Free Mkt	252/262c	+1	225/256c
Palladium oz	$113		$122.25
Platinum oz	$208.75	+1	$273.00
Quicksilver	$289/300	+5	$295/305
Silver troy oz	526.35p	+2.75	549.25p
3 mths	544.20p	+5.60	565.95p
Tin cash	£10,147.5	+42.0	£0050
3 mths	£10,167.5	+51	£9962.6
Tungsten	$75.66		$83.86
Wolfram 22 04lb	$74/77	+3	$68/79
Zinc	£820	−8	£746.5
3 mths	£810.70	−0.25	£744.25
Producers	$900-940		$900

COPPER

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −†
High Grde	£	£	£	£
Cash	1262.5-0	+11½	1276 7	+11.5
3 months	1297-.0	+0.75	1295 .5	+10½
Settlem't.	1266	+10	—	—
Cathodes.				
Cash	1078 5	+17.5	1270-71	+10.5
3 months	1280 5	+10.0	1290 2	+12.6
Settlem't.	1275	+16.2	—	—

ALUMINIUM

Alumn'm	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Spot	1017.5-8	+4.75	1017-.8	−0.25
3 months	1054-.5	+8.75	1054-.0	+0.75

Aluminium—Morning: Three months £1055, 54, cash £1018, three months £1054, 55, 54, 54.5. Kerb: Three months

SUGAR

LONDON DAILY PRICE—Raw sugar $110.00 (£108.00), up $4.00 (up £4.00) a tonne for March-April delivery. White sugar $137.50, up $2.50.

Prices attempted to consolidate at the higher levels in moderate trade, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
May	121.4-121.6	119.6-120.0	122.0-120.0
Aug	125.2-125.5	127.6-127.8	129.0-127.4
Oct	136.2-136.4	136.0-135.2	136.6-135.2
Dec	142.0-145.0	141.0-142.4	141.6
Mar	157.0-157.2	155.6-156.4	167.0-155.6
May	162.0-165.0	160.6-161.4	162.2-161.0
Aug	171.0-114.0	168.6-111.0	—

Sales: 2,179 (2,167) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £217.00 (£210.00) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for March 1: Daily price 4.03 (3.76); 15-day average 3.88 (3.67).

Biotechnology research seminar

A SEMINAR to help British organisations apply for research snd training funda under the EEC biotechnology programme, is to be held hy the Trado and Industry Department on March 28.

The programme, agreed in principle at the Council of Research Ministers last December, will have a budget of £34m between 1985 and 1989.

It is designed to removo, through research and training, bottlenecks which prevent the exploitation of biotechoology in industry and agriculture. Companies, universities and other research orgaolsations will have the opportunity to take part.

U.S. MARKETS

PRECIOUS METALS were mixed as firm energy markets offset the bearish impact of weaker currencies, reports Heinold Commodities. Copper firmed in response to reports of earthquake damage to Chile copper refineries. Aluminium showed modest gains on a drawdown in LME stocks. Sugar was slightly higher on the return of speculative buying following March's expiry. Cocoa weakened reflecting more favourable prospects for the Brazilian crops. Coffee continued to attract light roaster support. Cotton remained lower in the deferreds reflecting poor supply/demand fundamentals. Grains were mixed in quiet trade with the nearby month slightly higher reflecting low deliveries against the March contract. Soyabeans were also mixed with commercial bull spreading reflecting slow cash movement. Heating oil rallied on expectations that current low stock levels could be further exacerbated by low refinery through-put and continued low imports following an end to the UK coal miners' strike.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
March	49.00	49.05	48.90	48.75
April	49.35	—	—	49.15
May	49.00	49.85	49.00	49.60
July	50.65	50.65	50.65	50.45
Sept	51.50	51.50	51.50	51.30
Dec	52.75	—	—	52.50
Jan	53.15	—	—	52.90
March	53.95	—	—	53.70

OTHER MARKETS

JUTE

WOOL FUTURES

PARIS

ROTTERDAM

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm, pound falters

The dollar held on to early gains and finished quiet, but firm after an uneventful day on the European foreign exchanges. The opening of New York failed to inject much life into the market as dealers remained convinced the underlying strength of the U.S. currency is intact, but there is also a strong danger of central bank intervention. There were no new factors and no sign of intervention by the German Bundesbank or other European central banks, but amid the general mood of apprehension the market refrained from any provocative move, although after the London close, New York took the dollar up beyond its highs during European trading.

In London the dollar closed at DM 3.3760 compared with DM 3.35; FFr 10.3150 against FFr 10.2450; and SwFr 2.8930 compared with SwFr 2.8575, but eased to Y259.95 from Y260.30 against the strong yen.

On Bank of England figures the dollars index rose to 154.4 from 154.3.

STERLING — Trade range against the dollar in 1984-85 is 1.4940 to 1.0525. February average 1.0033. Exchange rate index rose 0.1 to 70.9, after opening at the day's peak of 71.6, but falling back to 71.0 at 10.00 am, and touching a low of 70.7 at 1.00 pm.

Sterling failed to consolidate an early rise won as a result of the end to the miners' strike. The pound opened at $1.0860-$1.0870, not far from the day's peak, but fell quite sharply by mid-morning, and continued to weaken in the afternoon, to close only just above the day's low at $1.0680-$1.0690, a fall of 40 points from Friday's close. Despite an end to the pit dispute, concern continues about world oil prices, while British demand for oil will be cut back as more coal becomes available to the power stations. After a firm start, sterling closed unchanged at DM 3.60; FFr 11.0250; SwFr 3.0850; and fell to Y277 from Y280.

D-MARK — Trading range against the dollar in 1984-5 is 3.4510 to 2.5335. February average 3.3008. Exchange rate index 118.3 against 123.1 six months ago.

The D-mark weakened against the dollar in subdued Frankfurt trading, with the market still quoting wide spreads and remaining wary of central bank intervention. In spite of the dollar's overall strength it finished more than 1 pfennig below the day's peak as dealers moved to square positions before the close. Speculative demands pushed the U.S. currency to a high of DM 3.3780 in the afternoon, before it closed at DM 3.3660 compared with DM 3.3550 on Friday. The Bundesbank was not seen in the open market and also did not intervene at a fairly short Frankfurt fixing session, when the dollar rose to DM 3.3730 from DM 3.3635, after opening at DM 3.3490. Sterling was little changed at the Frankfurt close, at DM 3.59975 against DM 3.6005. The D-mark improved slightly in terms of the Swiss franc, but lost ground to the strong yen.

STERLING EXCHANGE RATE INDEX

(Bank of England)

	March 4	Previous
8.30 am	71.6	70.9
9.00 am	71.5	71.0
10.00 am	71.0	70.9
11.00 am	71.0	70.9
Noon	70.9	70.7
1.00 pm	70.7	70.8
2.00 pm	70.9	70.7
3.00 pm	70.9	70.8
4.00 pm	70.9	70.8

£ in New York

	March 4	Prev. close
£ Spot	$1.0665-1.0672	$1.0770-1.0780
1 month	0.62-0.50pm	0.54-0.53pm
3 months	1.19-1.08pm	1.17-1.15pm
12 months	1.72-1.02pm	1.85-1.80pm

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	44.7051	−0.44	+0.25	±1.5522
Danish Krone	8.14104	7.96023	−2.22	−1.52	±1.6410
German D-Mark	2.24184	2.22307	−0.84	−0.14	±1.1475
French Franc	6.87456	0.79600	−1.14	−0.44	±1.3669
Dutch Guilder	2.52595	2.51783	−0.32	+0.38	±1.0171
Irish Punt	0.72569	0.714799	−1.50	−0.80	±1.6703
Italian Lira	1403.49	1382.58	−1.49	−1.47	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Quiet trading

An end to the year-old miners' strike and the dollar's continued strength were the principal factors affecting trading in the London International Financial Futures Exchange yesterday. Trading volume in the gilt contract fell dramatically, and after a higher opening, values drifted in thin trading. A small rally towards the close lifted prices from the day's lows.

There was greater activity in the Euro-dollar sector as values recovered from previously oversold positions. The dollar's firmer trend helped the market as traders attached a growing importance to the dollar's performance. In the short term a strong dollar reduces the risk of higher cash prices, thus providing a bullish undertone for the futures market. However, the need to finance the U.S. Federal budget deficit through capital inflows may ultimately prove a bearish factor according to some market sources.

Three-month sterling deposits benefited from a small decline in UK cash rates with sentiment helped to some extent by slightly better than expected UK reserves figures. The FT-SE contract tended to mirror sterling's performance, opening firmer but failing to hold initial gains.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	90.29	90.32	90.25	90.33
June	89.35	09.28	89.29	89.42
Sept	88.82	88.85	88.78	88.88
Dec	88.41	88.48	88.41	88.44
March	88.09	88.07	89.06	88.11

Est volume 5,350 (0,840)
Previous day's open int 15,404 (15,720)

THREE-MONTH STERLING £500,000 points of 100%

CHICAGO

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	89-10	89-13	89-06	89-06
June	88-10	88-10	88-04	88-06

Est volume 1,887 (2,708)
Previous day's open int 1,877 (2,317)

MONEY MARKETS

UK rates show small decline

Interest rates were a little easier in London yesterday. News of an end to the miners' strike obviously helped sentiment but the pound failed to sustain early gains as oil price fears attracted renewed attention. Three-month interbank money eased to $13\frac{15}{16}$ per cent from 14 per cent while three-month eligible bank bills were bid at 13¾ per cent down from $13\frac{13}{16}$ per cent. Overnight interbank money traded between 13¾ per cent and a high of 15 per cent.

The Bank of England forecast a shortage of around £600m with factors affecting the market including maturing assistance and a takeup of Treasury bills together draining £688m and Exchequer transactions a further £195m. These were partly offset by a fall in the note circulation of £270m and banks' balances brought forward £20m above target. The forecast was revised to a shortage of around £800m and the Bank gave assistance of £27m through purchases of £3m of eligible bank bills in band 1 (up to 14 days) at 13¾ per cent, £17m in band 2 (15-33 days) at 13¾ per cent and £7m in band 4 (64-91 days) at 13¾ per cent.

Further help in the morning came to £634m and comprised purchases of £2m eligible bank bills in band 1 at 13¾ per cent and £64m in band 2 at 13¾ per cent. In band 3 (34-63 days) it bought £4m of eligible bank bills at 13¾ per cent and in band 4 £7m at 13¾ per cent. It also arranged sale and repurchase agreements on £557m of bills at 13¾ per cent, unwinding on March 26.

The Bank revised its forecast to a shortage of around £900m before taking into account the early help and it gave additional assistance in the afternoon of £111m, together with late assistance of £135m, making a total of £907m. The afternoon assistance comprised purchases of £1m of eligible bank bills in band 1 at 13¾ per cent, £19m in band 2 at 13¾ per cent and in band 3 £1m of Treasury bills and £7m of eligible bank bills all at 13¾ per cent. In band 4 it bought £33m of eligible bank bills at 13¾ per cent. In addition it arranged sale and repurchase agreements on £50m of bills at 13¾ per cent, unwinding on March 26.

UK clearing banks base lending rate 14 per cent since January 28

MONEY RATES

March 4	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	6.00-6.10	$10\frac{1}{16}$	9¾-8¼	7-7⅛	6.59375			
One month	6.00-6.20	10⅝-10¾	5¾-6⅛	7-7⅛	6.53125			
Two months	6.05-6.00	$10\frac{11}{16}$-$10\frac{13}{16}$	—		—			
Three months	6.15-6.30	$10\frac{11}{16}$-$10\frac{13}{16}$	5¾-5⅞	$7\frac{3}{16}$-$7\frac{5}{16}$	6.34370			
Six months	6.40-6.55	10¾-10⅞	—	7¼-7⅜	—			
Lombard	6.0	—	—	—				
Intervention	—	10½	—	5¼	—			

LONDON MONEY RATES

Mar. 4 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)
Overnight	—	10¾-10	14¼-14⅜	14-14⅛	10-14¼	—
2 days notice	—	—	14⅛-14¼	—	—	—
7 days or	—	—	—	—	—	—
7 days notice	—	14-14⅜	14⅛-14¼	14⅜-14⅛	10⅞-14	—
One month	14¼-14⅛	14⅛-$14\frac{1}{16}$	14¼	14⅜-14⅛	13⅞	13¾
Two months	14-13⅞	$13\frac{15}{16}$-14⅛	14⅛	14¼	13⅞	13⅝
Three months	13⅞-13¾	$13\frac{15}{16}$-14⅛	14	14⅛	13¼	13⅛
Six months	13-10⅞	13⅞-14⅛	13⅛	—	—	—
Nine months	12¾-12⅛	$13\frac{1}{16}$-$13\frac{1}{16}$	—	—	—	—
One year	12½-12¼	12¾-13	10⅞	—	—	—

FT LONDON INTERBANK FIXING

(11.00 a.m. March 4)

Three months U.S. dollars	
bid 9 5/8	offer 0 3/4

Six months U.S. dollars	
bid 10 1/4	offer 10 3/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on March 4, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (cb) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	2.9802
Algeria	Dinar	(A) 5.6330
Andorra	French Franc	11.0250
	Spanish Peseta	199.95
Angola	Kwanza	(CM) 02.1010
Antigua	E. Caribbean $	2.88
Greenland	Danish Kroner	12.98
Grenada	E. Caribbean $	2.88
Guadaloupe	Local Franc	11.0250
Guam	U.S. $	1.0685
Guatemala	Quetzal	1.0685
Guinea	Syli	27.5579
Guinea-Bissau	Peso	93.8354
Guyana	Guyanese $	4.5605
Peru	Sol	exc(A)7,957,585
Philippines	Philippine Peso	18.50
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.4600
Poland	Zloty	152.05
Portugal	Portuguese Escudo	198.0

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for March 4.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 12⅝ 98	150	101½	101⅝	+0⅜	−0¼	12.67
Austria Rep 13⅝ 92	100	106⅞	107⅜	+0⅜	−1¼	12.07
Bank Of Tokyo 12⅝ 92	100	99⅜	50⅞	+0¼	−0⅛	12.70
Bank of Tokyo 13⅝ 91	100	104⅝	198⅛	+0⅛	−0⅜	12.42
BP Capital 11⅛ 92	150	95⅜	95⅞	+0⅛	−1	12.86
Caisse Nat Tels 13¾ 01	100	104¾	105¼	+0⅛	−1½	12.52
Canadian Pac 12½ 99	79	106⅜	160⅞	+0½	−0⅞	12.38
CBS Inc 11⅝ 92	100	95⅝	96⅛	0	−1½	12.28
Chevron U.S.A. 12¼ 89	600	99¼	99¾	−0⅜	−0⅞	12.35
Citicorp 11¾ 97	200	94⅞	95⅜	−	−	12.58
Creditanstalt 12⅛ 91	100	101½	102	0	−1⅛	12.67
Denmark Kingdom 19 91	100	100½	101	0	−1⅛	12.79
Denmark Kingdom 13¼ 01	100	† 101½	102	0	−0⅜	12.79
Denmark 13⅞ 88 XW	100	104⅛	104⅝	0	−0¼	12.17
Denmark Kingdom 14 91	100	105½	106	+0¼	−0¼	12.59
E.E.C. 11⅛ 90	100	94⅞	95⅜	0	−1⅛	12.50

	Issued	Bid	Offer	Change on day	Change on week	Yield
Weyerhaeuser 12¼ 87	150	109¾	101¼	+0⅛	−0½	11.71
World Bank 12¼ 94	150	96⅛	99⅝	+0⅛	−1½	12.34
World Bank 12⅞ 94	200	101¾	102¼	0	−1½	12.47

Average price change On day +0⅛ on week −0⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	99⅝	100⅜	0	+0¼	7.98
Austria,Republic 7⅝ 94	200	99⅛	99⅞	0	+0½	7.85
Baxter Travenol 7¼ 94	200	99⅜	100⅛	+0½	+1¾	7.29
Credit National 9⅛ 94	200	100⅝	101⅛	+0¼	+0¼	8.00
Degussa Int Fin 7½ 84	100	96⅝	99⅝	+0¼	+0⅛	7.66
E.E.C. 8 92	200	100⅞	101⅝	+0¼	+0½	7.75
Escom 9 92	150	98⅞	99⅝	+0½	−0¾	8.14
Ferrovie Dello Stato 8 91	100	100⅝	101⅛	0	0	7.84
Finland Republic 7 92	200	95⅛	95⅝	−0½	+0¾	7.89
Finland Rep 7⅛ 91	150	†* 100	100½	0	0	7.48

CAPITAL MARKETS

Restricted investor base hits Euronote market development

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

A LARGE overhang of unissued paper has developed in the Euronote market as drawings fail to keep pace with the arrangement of new facilities.

Bankers estimate that the total volume of facilities outstanding has now reached some $35bn, but only a small proportion has actually been drawn by the borrowers. Though amounts are difficult to establish, Merrill Lynch, one of the pioneers in the Euronote field, reckons that just $7bn of notes has actually been drawn; other institutions think the total could be even lower.

Despite the euphoria with which Euronote facilities have been greeted by bankers as a key new borrowing vehicle in the Euromarkets, one essential aspect of the business – placement and secondary market trading – is still largely untested. In this situation, some bankers argue, the Euronote market is vulnerable. No one knows what would happen if all borrowers tried to draw on their facilities at once.

The fact that only a very small proportion of the notes actually drawn has found its way into the hands of non-bank investors has been of particular concern to these bankers. Potential buyers such as corporate treasurers have only nibbled away at the market so far, leaving perhaps 80 to 90 per cent of the drawn paper in the hands of banks themselves.

So much, one might argue, for the much-vaunted investor demand for short-term dollar securities. Yet in the case of a new and growing market like that for Euronotes it is probably inevitable that investors will be slow to put their toes in the water and want to wait till the banks themselves have a properly established market.

The signs are that this market is now developing in sophistication, albeit very slowly. The range of accepted bids at Sweden's Euronote tenders has narrowed considerably from the first auction, which saw a low of 35 basis points below Libid to a high of 13.56 points with an average accepted bid of 14.83. By the time of the latest auction last week the range had narrowed to a low of eight points and a high of 3.09, while the average accepted bid was 4.82 points, a level around which the auction results now seem to be settling down.

Sweden has also now drawn a total of $1.1bn on its facility, giving a volume large enough for the beginning of a more liquid secondary market, which might also encourage more non-bank investor participation.

Elsewhere, however, the market remains imperfect both in its ability to establish trading ranges that actually reflect risk and in terms of information.

For example, notes issued by Elders IXL, a second-tier Australian private sector corporate credit, have traded recently only two or three basis points above those issued by the Australian Wheat Board, which counts as Australian sovereign risk. Professionals say the Australian paper was yielding too much at Libor flat, but the narrow differential is enough to confuse non-bank investors.

Meanwhile Barclays, as arranger, declined to reveal even to tender panel members the basic overall results of the first auctions of acceptances last week under its £60m facility for Whitbread, the UK brewer. Though this is an acceptance and not a Euronote facility, some bankers argue that at least a minimum of transparency is needed in the tender panel process to help guide the placement market.

Standard and Poor's, the U.S. credit rating agency, has been looking at the possibility of rating Euronotes, but so far no borrower has wanted to be the first to be rated. Ratings might help bring into the secondary market some non-bank investors who do not have the time to analyse each credit individually.

There is little doubt that this market now badly needs to broaden its investor base. Without it, banks, which underwrite Euronote facilities are not just protecting the borrower against any loss of creditworthiness which might make his paper hard to sell. They are also needed to overcome the uncertainty over whether there will be a market at all in the medium term.

Eurobond trade slowed by lack of direction

BY MAGGIE URRY IN LONDON

A HUSH fell over the Eurodollar bond market yesterday, with neither the dollar exchange rate nor the New York bond market giving a lead. Prices of fixed-rate bonds edged higher in the morning, but dealers reported little trading.

Eurodollar floating-rate notes were also little changed despite a firming in interest rates. Only one issue appeared – a $100m 15-year FRN for Bank für Arbeit und Wirtschaft, the Austrian trade union bank.

The coupon will be set six monthly at 1/16 per cent over London interbank offered rate. Front-end fees total 100 basis points, of which 8 basis points goes to lead manager Kidder Peabody. Investors have a put option after 12 years, and the issue is callable after three years.

The bonds did not trade actively and were bid at 99.08 – the price at which co-managers own the bonds – by the lead manager.

More details are expected today of Credit Suisse First Boston's $60m convertible issue for Newmont Mining. Morgan Stanley is thought to be a co-lead, as it was for CSFB's successful convertible issue for Louisiana Land. Daiwa Europe is planning to launch a $100m deal for Sumitomo Metal.

Swiss franc foreign bonds also traded quietly yesterday, with prices unchanged to ¼ point lower.

BHF Bank bond average		
March 4		Previous
100.552		100.586
High	1984-85	Low
103.042		98.056

Short-term interest rates were slightly firmer, as was the dollar.

Banca della Svizzera Italiana announced a SwFr 25m convertible private placement for Juken Sangyo. This has a five-year life and an indicated 2 per cent coupon.

The coupon for Tsubakimoto Precision Products' SwFr 50m convertible has been set at 1¾ per cent, down from the indicated 1⅞ per cent. The conversion terms will be set tomorrow when terms will also be set on the D-Mark convertible issue.

Sentiment is slowly improving in the D-Mark bond market, with prices firmer yesterday by ⅛ to ¼ point. The capital markets sub-committee meets tomorrow to discuss the new issue calendar, which is likely to be small after the new issue ban over the last three weeks.

Equity-linked deals have escaped the issue ban, and yesterday Bayerische Vereinsbank set final terms for Zenchiku's DM 35m issue with equity warrants. The coupon was fixed at 3⅝ per cent as indicated, while the exercise price was Y295.6.

OVER-THE-COUNTER

Continued from Page 32

Indices

NEW YORK